# Azure Health Technology Limited

**ABN 31 111 082 485**

# Annual Report

for the year ended

30 June 2019

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# CORPORATE DIRECTORY

**AZURE HEALTH TECHNOLOGY LIMITED**
**ABN** 35 111 082 485

**Directors**

| | |
|---|---|
| Mr Wei Jiang | Non-Executive Chairman |
| Steven Jiayi Yu | Non-Executive Director |
| Weidong Chen | Non-Executive Director |
| Gregory Barry Starr | Non-Executive Director |

**Company Secretary**

Gregory Barry Starr

**Registered Office and Principal Place of Business**

Level 45, Suite 03,
19-29 Martin Place,
Sydney, NSW, 2003

Ph: (02) 8279 8908

**Postal Address**

Azure Health Technology Limited
Level 45, Suite 03,
19-29 Martin Place,
Sydney, NSW, 2003

**Share Register**

Link Market Services
Level 12, 680 George Street
SYDNEY, NSW, 2000
Ph: 1300 554 474

**Auditors**

Hall Chadwick
Level 40, 2 Park Street
SYDNEY, NSW, 2000

**Securities Exchange Listing**

Australian Securities Exchange
(Home Branch – Perth)
ASX Code: AZT

# PRINCIPAL ACTIVITIES

During the year ended 30 June 2019 the principal activity of Azure Health Technology Limited is to research, develop, distribute and market a range of health and therapeutic products and technologies, including innovative drugs, wellbeing supplements and medical devices

# REVIEW OF OPERATIONS

On 1 July 2017, the Company had a working capital deficiency and the Directors determined to place the Company into Voluntary Administration. A proposal from Benelong Capital Partners Ltd (Benelong), for the restructure and recapitalisation of the company via a varied DOCA was submitted on 27 June 2018. The purpose of this Deed was to facilitate the recapitalisation of the Company with a new business direction under a new Board of Directors. The deed of company arrangement (DOCA) was entered in to on 20 August 2018.

A revised DOCA was approved by shareholders at the General meeting on 18 December 2018 and the Company was removed from external administration and the Company returned to the control of a new Board of Directors. As the first stage of the recapitalisation, a small amount of capital was raised to meet the Company's immediate needs. All pre-Administration liabilities of the Company were extinguished by the establishment of a Creditors Trust in accordance with the DOCA. Company liabilities incurred during the DOCA were met by the Deed Administrators from remaining company assets. Upon the Company being returned to the control of the new Board, the Company had extinguished the recapitalisation liabilities.

At the date of this Report, the new Board is determining the new direction the business will take and will, as part of a programme to secure the re-quotation of the Company's shares on the ASX, among other things, raise further capital to fund the future business plan of the Company.

**SPECIAL NOTE**

On 31 May 2017, the Company was placed into voluntary administration. The Company subsequently entered a Deed of Company Arrangement ("DOCA") on 7 November 2017 and was then recapitalised and following the effectuation of the DOCA on 18 December 2018.

The current directors of the Company were all appointed following the recapitalisation and effectuation of the DOCA on 18 December 2018. The previous directors who managed the Company during the Reporting Period covered in this Report all also resigned to facilitate the completion of the recapitalisation.

The current directors of the Company did not participate in the matters discussed in this Review of Operations.

**THE ACTIVITIES OF THE COMPANY DURING AND SINCE THE REPORTING PERIOD**

Azure Health Technology Limited ("the Company") was named Moko Social Media Limited during the year ended 30 June 2018 and then changed its name to Azure Health Technology Limited on 5 Feb 2019.

The Company was placed into voluntary administration on 31 May 2017. The Company subsequently entered a Deed of Company Arrangement ("DOCA") on 7 November 2017 and was then recapitalised. The effectuation of the DOCA occurred on 18 December 2018.

The current directors of the Company were all appointed following the recapitalisation on 18 December 2018 and the previous directors all subsequently resigned to facilitate the completion of the recapitalisation.

Therefore, the activities of the Company reported here are provided for historical reference.

The current directors of the Company did not participate in the matters prior to the effectuation of the DOCA discussed in this Review of Operations during the Period.

On 1 June 2017, the Company advised the Australian Securities Exchange ("ASX") that it had appointed Mr Jason Tracy and Tim Henan, of Deloitte Financial Advisory Pty Limited, as Joint and Several Voluntary Administrators ("the Administrators") of the Company pursuant to Section 436A of the Corporations Act 2001.

On 13 June 2017, a meeting of creditors of the company was held. At this meeting, the administrators advised that they would undertake an investigation into the affairs of the Company while a restructuring strategy for the Company was pursued.

On 27 June 2017 the Supreme Court of Western Australia approved the application for an extension until 30 October 2017 to convene the second meeting of creditors at which the future of the Company will be determined.

The extension was also unanimously approved at the first meeting of creditors on 13 June 2017.

In August 2017, a proposed Deed of Company Arrangement (DOCA) was submitted by Trevor Nairn, a party related to Rhonda Nairn (a secured creditor), proposing to recapitalise the company.

On 15 November 2017, a DOCA was signed. However, this DOCA could not be completed.

A proposal from Benelong Capital Partners Ltd (Benelong), for the restructure and recapitalisation of the company via a varied DOCA was submitted on 27 June 2018.

The Creditors agreed to the Benelong Recapitalisation Proposal. A deed of company arrangement was entered in to on 20 August 2018 under which Mr Jason Mark Tracy was appointed Deed Administrator.

On 15 November 2018, the Administrators and Trevor Nairn executed the DOCA in line with the DOCA proposal put to Creditors on 17 August 2018.

In summary, the Recapitalisation Deed provided for:

- Consolidation of shares and options on a 382 to 1 basis
- Allotment of shares to the secured Creditor (30,655,000 Fully Paid Shares to Rhonda Nairn)
- Allotment of shares to RPK Nominees P/L (1,000,000 shares)
- Allotment of Shares to Mr Wei Jiang (144,000,000 Fully paid shares for $355,000)
- Appointment of Greg Starr as Director
- Appointment of Steve Nicols as Director
- Appointment of Greg Cornelson as Director
- Bennelong Capital Partners P/L contributes $170,000 to meet the costs of the deed administrator and meet the claims of the employees.
- A creditors' trust ("the Creditors' Trust") would be established for the benefit of all pre-Administration creditors of the Company. All remaining claims against the Company will be transferred to the Creditors Trust, thus extinguishing such claims against the Company.
- Shares in the subsidiaries of the company will be transferred to the Creditors Trust.

The Revised DOCA was approved by shareholders at the General meeting on 18 December 2018 and the Company was removed from external administration. Following the effectuation of the DOCA, Emma Waldon, Edward Bralower and Malcolm James resigned as directors of the Company. On 18 December 2018, the Board of the Company appointed Mr Greg Starr as Secretary, replacing Emma Waldon who had resigned following the effectuation of the DOCA.

The Company also changed its name on 5 February 2019 to Azure Health Technology Limited.

On 18 December 2018 Malcolm James resigned as a Director.

On 15 March 2019, Steve Nicols and Greg Cornelson resigned as directors and Mr Wei Jiang and Weidong Chen were both appointed as directors.

On 2 March 2019, Steven Jiayi Yu was appointed as Director.

The directors are currently seeking opportunities for the Company with a view to enhancing Shareholder value. Any significant change in the nature of the Company's activities will require Shareholder approval under Listing Rule 11. The aim is to pursue an appropriate business opportunity against which the Company may be further recapitalised and its shares requoted on the Australian Stock Exchange.

Under the Australian Securities Exchange Listing rules ASX's policy is to remove from the official list any entity whose securities have been suspended from trading for a continuous period of 3 years. In the company's case, it will have been continuously suspended for 3 years on 25 January 2020, with removal taking effect on 26 January 2020.

ASX may agree to a short extension of the 3 year deadline for the automatic removal of a long-term suspended entity if the entity can demonstrate to ASX's satisfaction that it is in the final stages of implementing a transaction that will lead to the resumption of trading in its securities. For these purposes, "final stages" means:

- having announced the transaction to the market;
- having signed definitive legal agreements for the transaction (including for any financing required in respect of the transaction);
- if the transaction requires a prospectus or product disclosure statement to be lodged with ASIC, having lodged that document with ASIC and it not being the subject of a stop order or other regulatory action by ASIC;

- if the transaction requires approval by security holders or from a governmental agency or financier, the entity having obtained all such approvals; and
- ASX otherwise being satisfied that the transaction is reasonably capable of being consummated within the period of the extension.

The extension, if granted, will be for no more than 3 months (it may be shorter if ASX considers that the transaction ought to be reasonably capable of being consummated in a lesser period).

**EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

There were no significant events subsequent the end of the reporting period up to the date of this report.

# DIRECTORS' REPORT

Your Directors submit the annual financial report of Azure Health Technology Limited ("Azure" or "the Company") for the financial year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

**Directors**

The names of Directors who held office during the financial year and up to the date of this Report are as follows. Directors were in office for this entire period unless otherwise stated.

| Name | Appointed |
|---|---|
| Emma Waldon | Non-Executive Director (Resigned 18 December 2018). Company Secretary (Resigned 18 December 2018) |
| Edward Bralower | Non-Executive Director (Resigned 18 December 2018) |
| Malcolm James | Non-Executive Director (Appointed 7 October 2016 and Resigned 18 December 2018) |
| Gregory Starr | Non-Executive Director (Appointed 18 December 2018), Company Secretary (Appointed 18 December 2018) |
| Steve Nicols | Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019) |
| Greg Cornelson | Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019) |
| Steven Jiayi Yu | Non-Executive Director (Appointed 28 March 2019) |
| Mr Wei Jiang | Non-Executive Chairman (Appointed 15 March 2019) |
| Weidong Chen | Non-Executive Director (Appointed 15 March 2019) |

**Information on Directors**

**Mr. Gregory Barry Starr**
**Non-Executive Director**
**Appointed 18 December 2018**

Mr Starr is a certified practicing accountant with a Bachelor of Business (UTS) and is a Member of the Australian Institute of Company Directors. He has over 30 years' experience in corporate and operational financial management. Mr Starr is an experienced public company director holding senior board positions in a number of ASX listed companies over 20 years. Over the past three years Mr Starr has held executive and non-executive positions on ASX listed companies Diatreme Resources Limited, KBL Mining Limited and Dongfang Modern Agricultural Holding Group Limited and BIR Financial Limited.

**Mr Wei Jiang**
**Non-Executive Chairman**
**Appointed 15 March 2019**

Mr Jiang is an entrepreneur with versatile business skills and a strong track record. As the founder and Chairman of the Hong Kong Lead Capital Group, his work in company restructuring and capital markets is well recognised across different sectors in China, including technology, manufacturing, agriculture and retail. He is engaged by numerous companies to advise on company operational and funding issues.

He has developed a unique system to commercialise startup companies by growing its value through bringing funding, knowledge and resources to companies. Mr Jiang is active in the biotechnology industry and committed to growing company values by his international business network and expertise.

**Mr. Steven Jiayi Yu**
**Non-Executive Director**
**Appointed 28 March 2019**

Mr Yu has extensive experience in mergers and acquisitions, capital raisings and cross border transactions with ASX companies. He was previously the Chief Executive Officer of ASX listed mining company Anchor Resources Limited (ASX:AHR). As a practicing lawyer he has worked for Norton Rose Fulbright in Beijing and Melbourne, and Deacons and Maddocks Lawyers in Melbourne. MR Yu holds a Bachelor of Laws and Commerce from the University of Melbourne, Master of Laws from Boston University, an Executive MBA from Columbia Business School and a Doctor of Philosophy from the University of Technology Sydney

**DIRECTORS' REPORT (Continued)**

**Weidong Chen**
**Non-Executive Director**
**Appointed 15 March 2019**
Mr Chen has extensive experience in the cross-border investment and international trade. Mr Chen has extensive international business experience in advising on and facilitating business negotiations with international counterparties.

**Company Secretary**
**Ms Emma Waldon**
**Appointed 1 January 2015 and resigned 18 December 2018**

Ms Waldon was appointed as non-executive director in October 2015 and resigned 18 December 2018.

**Mr Gregory Starr**
**Appointed 18 December 2018**
Mr Starr was appointed as non-executive director on 18 December 2018. Please refer his details to "Information on directors" as above.

**Meetings of Directors**

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each director were as follows:

| | Number Attended | Maximum Possible |
|---|---|---|
| **Number of meetings held:** | | |
| Mr G Starr | 7 | 7 |
| Mr W Chen | 6 | 6 |
| Mr W Jiang | 6 | 6 |
| Mr J Yu | 4 | 4 |
| Mr G Cornelson | 1 | 1 |
| Mr S Nicol | 1 | 1 |

**The interest of each current Director in the shares and options of the Company at the date of this report is as follows:**

| | Number of fully paid ordinary shares | Number of options over ordinary shares |
|---|---|---|
| Greg Starr | - | - |
| Steven Jiayi Yu | - | - |
| Mr Wei Jiang | 144,000,000 | - |
| Weidong Chen | - | - |

**Corporate Structure**
Azure Health Technology Limited is a limited liability Company that is incorporated and domiciled in Australia. Azure Health Technology Limited has no parent entity. Up until the Deed of Company arrangement was approved on 18 December 2018, the Company had the following subsidiaries:

- 100% ownership in MOKO Mobi Inc. (MOKO Mobi) a US based entity wholly owned by Moko through which Moko's US operations were conducted.
- 94.2% ownership in Tagroom Pty Ltd, a dormant Australian company
- 100% ownership in Paper Tree Limited, a dormant British Virgin Isles based entity.

Moko also has a 10% investment in True Blue Media LLC and Big Teams LLC (Big Teams), both US based entities.

Upon review, the administrator advised that MOKO Mobi was insolvent and therefore the shares in this entity have no value. The administrator also advised that Tagroom Pty Ltd and Paper Tree Ltd were dormant and held no material assets and, accordingly the shares in these entities had no value. The investment in the above subsidiaries was transferred to the Creditors trust on 18 December 2018. As at 30 June 2019, Azure Health Technologies Ltd has no subsidiary companies.

**DIRECTORS' REPORT (Continued)**

**Nature of Operations and Principal Activities**

The nature of operations and principal activities of the entities within the Group are contained in the section headed Review of Operations.

**Review of Operations**

A review of the Company's operations is contained in the section headed Review of Operations.

**Operating Results**

The profit of the Company for the financial year after tax was $2,749,752 (2018 $Nil).

**Dividends**

No dividends have been paid or declared by the Company since the start of the financial year and up to the date of this report. The Directors do not recommend the payment of a dividend.

**Significant Events After Balance Date**

There were no significant events subsequent the end of the reporting period up to the date of this report.

**Likely Developments and Expected Results**

The directors are seeking opportunities in other industries with a view to enhancing Shareholder value. Any significant change in the nature of the Company's activities will require Shareholder approval under ASX Listing Rule 11. The aim is to pursue an appropriate business opportunity against which the Company may be recapitalised and its shares requoted on the Australian Securities Exchange.

**Environmental Legislation**

The Company is subject to the normal environmental requirements (both State and Federal) applicable to exploration and project development activities in the State of Western Australia and the Northern Territory.

The Directors believe that meeting or exceeding the Company's environmental obligations are a core business function and have instituted corporate policies and practices to ensure the Company strives for environmental best practice.

No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2019, or subsequent to year end.

**Indemnification and insurance of Directors and Officers**

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

**DIRECTORS' REPORT (Continued)**

**REMUNERATION REPORT (AUDITED)**

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for Directors and key executives of the Company for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

The following persons acted as Directors during or since the end of the financial year:

| Name | Appointed |
|---|---|
| Emma Waldon | Non-Executive Director (Resigned 18 December 2018). Company Secretary (Resigned 18 December 2018) |
| Edward Bralower | Non-Executive Director (Resigned 18 December 2018) |
| Malcolm James | Non-Executive Director (Appointed 7 October 2016 and Resigned 18 December 2018) |
| Greg Starr | Non-Executive Director (Appointed 18 December 2018) Company Secretary (Appointed 18 December 2018) |
| Steve Nicols | Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019) |
| Greg Cornelson | Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019) |
| Steven Jiayi Yu | Non-Executive Director (Appointed 28 March 2019) |
| Mr Wei Jiang | Non-Executive Chairman (Appointed 15 March 2019) |
| Weidong Chen | Non-Executive Director (Appointed 15 March 2019) |

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

**A. Remuneration philosophy**

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre Directors and employees;
- link executive rewards to shareholder value creation; and
- establish appropriate performance hurdles for variable executive remuneration.

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for reviewing compensation arrangements for the Directors and senior executives and making recommendations to the Board.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions, with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

*Remuneration structure*
In accordance with best practice Corporate Governance, the remuneration structure of non-executive Directors, senior managers and executive remuneration is separate and distinct.

*Non-executive director remuneration*
The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external sources as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each non-executive director was entitled to receive a fee for being a director of the Company during the Reporting Period but payment of these fees was temporarily deferred to conserve cash. These amounts were inclusive of superannuation where applicable.

The remuneration of individual non-executive Directors for the year ended 30 June 2019 is detailed in Table 1 below.

*Senior Manager and Executive Director Remuneration*
The Company has a system of remuneration for its senior management that consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

**DIRECTORS' REPORT (Continued)**

*Fixed Remuneration*
Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

*Variable Remuneration*
In normal circumstances, the Company would implement variable remuneration in the form specified below but as the business of Company is currently being reorganised there is no variable remuneration component currently in place or otherwise planned at this time.

The Company's variable remuneration policy would be structured around short and long-term incentives as follows:

The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available would be set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

The Company will introduce a long term incentive plan to reward Directors, employees and certain consultants in a manner that aligns this element of remuneration with the creation of shareholder wealth.

*Employment Contracts*

At 30 June 2019 there were no senior executive employment contracts in place.

**B. Remuneration of Key Management Personnel**

Key management personnel of the Consolidated Entity consisted of the directors and Managing Director of Azure Health Technology Limited for the financial year ended 30 June 2019:

- E Bralower - Non-Executive Director (from 30 June 2016, until 18 December 2018)
- Malcolm James - Non-Executive Director (Appointed 7 October 2016, until 18 December 2018)
- Emma Waldon - Company Secretary (from 1 January 2015), Non-Executive Director (from 1 October 2015, until 18 December 2018)
- Gregory Barry Starr - Non-Executive Director (Appointed 18 Dec 2018) Company Secretary (Appointed 18 December 2018)
- Steve Nicols - Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019)
- Greg Cornelson - Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019)
- Steven Jiayi Yu - Non-Executive Director (Appointed 28 March 2019)
- Mr Wei Jiang - Non-Executive Chairman (Appointed 15 March 2019)
- Weidong Chen - Non-Executive Director (Appointed 15 March 2019)

*Amounts of remuneration*

Details of the remuneration of the directors and any other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity) and specified executives of Azure Health Technology Limited are set out in the following tables.

| | SHORT-TERM | | | | POST-EMPLOYMENT | | SHARE-BASED | | |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | **Salary & Fees** | **Bonus** | **Termination** | **Other#** | **Super-annuation** | **Retirement benefits** | **Performance Shares** | **Options / ADS shares** | **Total $** |
| *Non-Executive Directors* | | | | | | | | | |
| E Waldon | - | - | - | - | - | - | - | - | - |
| E Bralower | - | - | - | - | - | - | - | - | - |
| M James | - | - | - | - | - | - | - | - | - |
| G Starr | 25,968 | - | - | 10,000 | - | - | - | - | **35,968** |
| S Nicols | 2,806 | - | - | - | - | - | - | - | **2,806** |

**DIRECTORS' REPORT (Continued)**

| | SHORT-TERM | | | | POST-EMPLOYMENT | | SHARE-BASED | | |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | **Salary & Fees** | **Bonus** | **Termination** | **Other#** | **Super-annuation** | **Retirement benefits** | **Performance Shares** | **Options / ADS shares** | **Total $** |
| G Cornelson | 2,806 | - | - | - | - | - | - | - | **2,806** |
| S Jiayi Yu | 10,000 | - | - | 21,600 | - | - | - | - | **31,600** |
| W Jieng | - | - | - | - | - | - | - | - | **-** |
| W Chen | 6,000 | - | - | - | - | - | - | - | **6,000** |
| *Other Key Management Personnel* | | | | | | | | | |
| E Waldon | - | - | - | - | - | - | - | - | **-** |
| **TOTAL** | **47,580** | **-** | **-** | **31,600** | **-** | **-** | **-** | **-** | **79,180** |

# Represents additional management services provided by Director

The performance linked and fixed proportions of remuneration are as follows:

| | **Fixed** | **STI** | **LTI** |
|---|---|---|---|
| **Name** | **2019** | **2019** | **2019** |
| *Non-Executive Directors* | | | |
| M James | - | - | - |
| E Bralower | - | - | - |
| E Waldon | - | - | - |
| G Starr | 25,968 | - | - |
| S Nicols | 2,806 | - | - |
| G Cornelson | 2,806 | - | - |
| S Jiayi Yu | 10,000 | - | - |
| W Jieng | - | - | - |
| W Chen | 6,000 | - | - |

**C. Share-based compensation**

The share based LTI compensation issued to Directors and other key management personnel is as follows:

*Options over Ordinary Shares*

There were no new options issued to Directors and other key personnel in the year ended 30 June 2019. All Options over shares expired during the year ended June 2019.

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

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

Options granted carry no dividend or voting rights.

**DIRECTORS' REPORT (Continued)**

American Depositary Shares under options (where one ADS = 40 Ordinary shares)

There were no new options issued to Directors and other key personnel in the year ended 30 June 2019. All Options over shares expired during the year ended June 2019.

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

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

# According to the DOCA, investments in subsidiaries were transferred to the Creditors Trust. All options over shares in subsidiaries expired at 18 December as the DOCA was approved.

Options granted carry no dividend or voting rights.

There were no options over ordinary shares issued to directors and any other key management personnel as part of compensation during the year ended 30 June 2019.

*Performance Shares*

There were no Performance Shares were granted to directors and other key management personnel as part of compensation during the year ended 30 June 2019 (2018: Nil).

**D. Additional disclosures relating to key management personnel**

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below

| Ordinary shares | Balance at start of the year / on appointment | Granted as remuneration | On exercise of options | Bought | Sold | DOCA Consolidation 1:382 and others | Balance at end of the year / on resignation |
|---|---|---|---|---|---|---|---|
| 2019 | | | | | | | |
| E Bralower | 200,000 | - | - | - | - | (200,000) | - |
| E Waldon | 2,300,000 | - | - | - | - | (2,293,979) | 6,021 |
| M James | - | - | - | - | - | | - |
| G Starr | - | - | - | - | - | | - |
| S Nicols | - | - | - | - | - | | - |
| G Cornelson | - | - | - | - | - | | - |
| S Jiayi Yu | - | - | - | - | - | | - |
| W Jiang | - | - | - | - | - | | - |
| W Chen | - | - | - | 144,000,000 | - | | 144,000,000 |
| | **2,500,000** | **-** | **-** | **144,000,000** | **-** | **(2,493,979)** | **144,006,545** |

The numbers of options over ordinary shares in the Company held during the financial year by each director of the Company and other key management personnel of the Company, including their personally related parties, are set out below.

| Options over ordinary shares | Balance at the start of the year / on appointment | Granted during the year as compensation | Exercised during the year | Lapsed during the year | Forfeited/ Other changes | Balance at the end of the year / on resignation |
|---|---|---|---|---|---|---|
| 2019 | | | | | | |
| E Bralower | - | - | - | - | - | - |
| E Waldon | 2,000,000 | - | - | (2,000,000) | - | - |
| M James | - | - | - | - | - | - |
| G Starr | - | - | - | - | - | - |
| S Nicols | - | - | - | - | - | - |
| G Cornelson | - | - | - | - | - | - |
| S Jiayi Yu | - | - | - | - | - | - |
| W Jiang | - | - | - | - | - | - |
| W Chen | - | - | - | - | - | - |
| | **2,000,000** | **-** | **-** | **2,000,000** | **-** | **-** |

**Other transactions and balances with Key Management Personnel**

On the 22 February 2019 Wei Jiang lent $100,000 to the company to meet short term working capital commitments. On the 21 May 2019 Wei Jiang lent a further $130,000 to the company. The loan is unsecured and non-interest bearing.

There were no other transactions or balances with Key Management Personnel.

**This concludes the Remuneration Report.**

**DIRECTORS' REPORT (Continued)**

**Proceedings on Behalf of the Company**

During the Reporting Period, no person applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Auditor Independence and Non-Audit Services**

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is comparable with the general standard of independence for auditors imposed by the Corporations Act 2001

The directors ere of the opinion that these services do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

There are no officers of the Company who are former Hall Chadwick audit partners.

Section 307C of the Corporations Act 2001 requires our auditors, Hall Chadwick, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. This Independence Declaration is set out on page 23 and forms part of this Directors' report for the year ended 30 June 2019.

There were no non-audit services provided by our auditors, Hall Chadwick.

Signed in accordance with a resolution of the Directors.

.............................................................................

Wei Jiang

Chairman

SYDNEY, New South Wales

26 July 2019

# CORPORATE GOVERNANCE STATEMENT

This statement is current as at 26 July 2019

Azure Health Technology Limited, formerly known as MOKO Social Media Limited (the Company) and its controlled entities (the Group) have adopted the corporate governance framework and practices set out in this statement.

The framework and practices have been in place throughout the financial year ended 30 June 2019 and comply with the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Recommendations), unless otherwise stated. Consistent with the Company's approach to sound corporate governance, opportunities for improvement are regularly considered.

This statement has been approved by the Board, and the information provided remains current as at.

**Principle 1: Lay solid foundations for management and oversight**

***Recommendation 1.1-A listed entity should disclose (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management***

The primary responsibilities of the Board include:

- Establishing the strategic direction, long term goal setting and performance oversight for the Company;
- Ensuring that the Company has implemented adequate internal controls together with appropriate monitoring of compliance activities;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis;
- The approval of the annual and half-yearly financial report, and quarterly cash statements (as long as required);
- Ensuring that the Company is able to pay its debts as and when they fall due;
- Approving the appointment, retention and termination of the Managing Director and Company Secretary;
- Monitoring senior executives' performance and implementation of strategy, ensuring that appropriate resources are made available;
- Approving the appointment of Directors to the Board ensuring an appropriate balance of skills and experience and
- that new Directors are properly inducted;
- Reviewing, ratifying and monitoring systems of risk management and internal control and the Code of Conduct;
- Overseeing the continuous disclosure process to ensure timely and balanced disclosures;
- Approving and monitoring major capital expenditure, capital management, and acquisitions and divestitures;
- Approving and monitoring other reporting to shareholders; and
- Approving the issue of shares or other securities in the Company

It is the responsibility of senior management to manage the Company in accordance with the direction and delegations of the Board. While the Company is pursuing its requotation on the Australian Securities exchange, the Board has temporarily delegated authority over the day-to-day management of the Company and its operations to Director Mr Steven Yu and Director/Company Secretary Mr Gregory Barry Starr. This delegation of authority includes responsibility, and accountability to the Board, for:

- developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- operating the business within the parameters set by the Board from time to time, and keeping the Board informed of material developments in the businesses;
- where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the Board for its consideration and approval;
- identifying and managing operational and other risks and, where those risks could have a material impact on the business, formulating strategies for managing these risks for consideration by the Board;
- managing financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;

**DIRECTORS' REPORT (Continued)**

- ensuring that the Board is provided with sufficient information on a timely basis, in particular with respect to performance, financial condition, operating results and prospects, to enable the Board to fulfil its governance responsibilities; and
- implementing the policies, processes, procedures and codes of conduct approved by the Board.

The Audit Committee and Compensation Committee have also been referred responsibilities by the Board as set out in each Committee's Charter.)

***Recommendation 1.2 - A listed entity should (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and (b) provide security holders with all material Information in its possession relevant to a decision on whether or not to elect or re-elect a director.***

Prior to the appointment of a person, or putting forward to security holders a candidate for election, as a director, the Company undertakes checks which it believes are appropriate to verify a director's character, experience, education, criminal record and bankruptcy history including:

- for new directors, background and reference checking; and
- for new directors and for all directors annually (including those put forward for election), requiring the person to complete and sign a questionnaire providing and verifying information in relation to the person's directorships, bankruptcy history, criminal history and any potential conflicts of interests.

The Company ensures that all material information in its possession relevant to a shareholder's decision whether to elect or re-elect a director, including the information referred to above, is provided to shareholders in the Company's Notice of Annual General Meeting.

***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

Each director and senior executive of the Company has an agreement in writing with the Company which sets out the key terms and conditions of their appointment including their duties, rights and responsibilities and (to the extent applicable) the matters referred to in the commentary to Recommendation 1.3.

***Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.***

The Company Secretary has a direct line of reporting to the Chairman and is responsible for:

- advising and supporting the Chairman and the Board and its committees to manage the day to day governance framework of the Company;
- assisting with Board effectiveness by monitoring whether applicable Board and committee policies, procedures and charters are followed and coordinating timely completion and despatch of Board agendas and papers; and
- assisting with all matters to do with the proper functioning of the Board including advising on governance matters and assisting with the induction and professional development of directors.

***Recommendation 1.5 - A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress In achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (Including how the entity has defined "senior executive" for these purposes); or (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined In and published under that Act.***

The Company is at variance with Recommendation 1.5 in that it has not yet established a diversity policy nor set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company and the industry in which it operates, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background. The directors also believe that diversity is a relevant consideration for constitution of an effective Board, as discussed at Recommendation 2.2. The Board will give consideration to complying Recommendation 1.5 as the size and scope of the business grows.

**DIRECTORS' REPORT (Continued)**

The proportion of women within the organisation as at the end of the last 2 financial years ended 30 June are as follows:

| | 2019 % | 2018 % |
|---|---|---|
| Women employees in the whole organisation | - | - |
| Women in senior executive positions | - | - |
| Women on the Board of Directors | - | - |

"Senior executive" means the Managing Director and Chief Executive Officer of the Company once one is appointed by the Board.

***Recommendation 1.6 - A listed entity should: (a) have and disclose*** **a** ***process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

The performance of the Board and individual Directors is reviewed as part of the ordinary course of meetings of the Directors held during each year. The performance of the Audit and Compensation Committees is evaluated annually, against the charters of those committees. The Compensation Committee assists the Board as required with the evaluation of performance of directors (including the Managing Director).

***Recommendation 1.7 - A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

The Company has one senior executive, Wei Jiang, who is also the Managing Director. The performance of the Managing Director is monitored on an ongoing basis by the Non-Executive Directors with the assistance of the Compensation Committee as required. The performance evaluation takes into account business and personal targets for the year.

**Principle 2: Structure the board to add value**

***Recommendation 2.1 - The board of*** **a** ***listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are Independent directors; and (Ii) Is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee*** **met** ***throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*** The Company does not presently have a Nomination Committee. Due to the size and nature of the activities of the Company, the nomination of new Directors is conducted by the Board by way of ongoing review and discussion in relation to experience deficiencies that may exist within the existing board structure.

The Board considers the following factors when selecting new Directors and when recommending Directors to shareholders for appointment or re-election:

- The aim of having a majority of independent Directors on the Board and of having an independent Non-Executive Chairman;
- That between them, the Directors have appropriate range of skills, expertise, experience and diversity to discharge the Board's mandate;
- That each individual Board member has sufficient time to meet his/her commitments as a Director of the Company;
- The duration of each existing Director's tenure, noting the retirement provisions of the Constitution; and
- Whether the size of the Board is appropriate to facilitate effective discussions and efficient decision making.

The nomination of existing Directors for re-appointment is not automatic and is contingent on performance and the current and future needs of the Company.

***Recommendation 2.2 - A listed entity should have and disclose*** **a** ***board skills matrix setting out the mix of skills and diversity that the board currently has or Is looking to achieve in Its membership.***

The skill and diversity attributes outlined below have been identified as the optimum attributes the Company seeks to achieve across its Board membership:

- technical expertise (including finance and legal);
- high level of business acumen;
- ability to think strategically;
- governance experience and expertise, including an understanding of legal, ethical and fiduciary duties;
- investor relations expertise; and
- diversity including gender.

The Board aspires to have a Board comprised of individuals diverse in gender, geographic location, culture, background, perspectives and experience and is mindful of this when making Director appointments.

Further details regarding the skills and experience of each Director is set out in the Directors Report in the 2019 Annual Report.

***Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an Interest, position, association or relationship of the type described in Box 2.3 but the board Is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board Is of that opinion; and (c) the length of service of each director.***

The Board regularly assesses the independence of its Non-Executive Directors. For this purpose an independent Director is a Non-Executive Director whom the Board considers to be independent of management and free of any

interest, business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the Director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally, and who:

1. is not a substantial shareholder of the Company, is not an officer of, or is not otherwise associated with a substantial shareholder;
2. within the last three years, has not been employed in an executive capacity by the Company or another Group member;
3. within the last three years, has not been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
4. is not a material supplier to, or customer of, the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the Company or another Group member, other than as a Director; and has not been a Director of the Company for such a period of time that their independence may have been compromised.

Wei Jiang and Gregory Barry Starr are not considered independent. Wei Jiang is the major shareholder of the Company, Gregory Barry Starr is the Company Secretary. It is noted that while Steven Yu's appointment is expected to be Independent in the longer term, he is temporarily participating in the management of the company during the requotation process and is not currently Independent.

***Recommendation 2.4** - **A majority of the board of a listed entity should be independent directors.***

As at the date of this report the majority of the Company's Board is not considered independent as outlined above in Recommendation 2.3. The Company may seek to appoint additional independent Directors in the future to address the lack of independence of its Directors.

***Recommendation* 2.5** - ***The chair of the board of a listed entity should be an independent director and, In particular, should not be the* same *period* as *the CEO.***

The Chairman of the Company is Wei Jiang. Given the size of the Company and its status as at the date of this report there is currently no Chief Executive Officer. The Company intends to appoint a suitable candidate at an appropriate time

***Recommendation* 2.6** - ***A listed entity should have a program for Inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.***

All new directors are provided with an induction including meetings with the Chairman and other Directors and provision of information on the Company including Company and Board policies and other material documents. The Company Secretary and Chairman oversees the induction of new Directors.

**DIRECTORS' REPORT (Continued)**

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company. With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations in order to fulfill their duties and responsibilities as Directors. All Directors have access to the Company Secretary.

**Principle 3: Act ethically and responsibly**

***Recommendation 3. 1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.***

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a code of conduct to guide Directors, management, employees and consultants in carrying out their duties and responsibilities. Our Code of Business Conduct and Ethics is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters.

**Principle 4: Safeguard Integrity in corporate reporting**

***Recommendation 4.1- The board of a listed entity should: (a) have an audit committee which: (I) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the Individual attendances of the members at those meetings; or (b) if It does not have an audit committee, disclose that fact and the processes It employs that Independently verify and safeguard the Integrity of Its corporate reporting, Including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.***

The Company has an Audit Committee which comprises 3 directors. The Committee is chaired by a Director who is not chair of the Board.

The Company currently does not comply with the requirement to have a majority of independent Directors on the Audit Committee, all of whom are Non-Executive Directors, due to the current make-up of the Board. The members of the Audit Committee will be reassessed should additional independent Directors be appointed to the Board.

The qualifications and experience of the Audit Committee members is set out in the Directors Report in the 2018 Annual Report. As the current directors were not on the Board during the reporting period, the number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings is information which is not available as at the date of this report

***Recommendation 4.2- The board of* a *listed entity should, before It approves the entity's financial statements for* a *financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give* a *true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of* a *sound system of risk management and internal control which is operating effectively.***

The Company has received a declaration in the form set out in Recommendation 4.2 from its CEO and Directors in relation to the financial statements for the financial periods ended 31 December 2018 and 30 June 2019.

***Recommendation 4.3- A listed entity that has an AGM should ensure that its external auditor attends its AGM and Is available to answer questions from security holders relevant to the audit.***

The Company's external auditor attends each AGM of the Company and is available to answer questions from security holders relevant to the audit.

**Principle 5: Make timely and balanced disclosure**

***Recommendation 5.1 - A listed entity should: (a) have* a *written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of It.***

The Company Secretary has been appointed as the persons responsible for communications with the ASX. The Board is responsible for ensuring the compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX.

**Principle 6: Respect the rights of security holders**

**DIRECTORS' REPORT (Continued)**

***Recommendation 6.1*** - ***A listed entity should provide Information about itself and its governance to investors via Its website.***

Information about the Company and its operations is located at the registered office or upon request. Information about the Company's corporate governance policies and charters is located at the registered office or upon request.

***Recommendation 6.2-A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.***

The Company operates an active investor relations program which includes engaging with security holders at the AGM, responding to security holder enquiries from time to time and adhoc interactions with institutional and private investors, analysts and the financial media. It is the Company's intention that shareholders and the investment community have reasonable access to senior management and Directors of the Company to ask direct questions or to seek additional information on the business.

***Recommendation 6.3*** - ***A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.***

The Board and the Company Secretary are responsible for the policies and processes to facilitate and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings to ensure all shareholders are fully informed.

The Board encourages full participation of shareholders at the Annual General Meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

The external auditor is requested to attend the annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

***Recommendation 6.4*** - ***A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.***

The Company gives security holders the option to receive communications from, and send communications to, the Company and its security registry electronically.

**Principle 7: Recognise and manage risk**

***Recommendation 7.1*** - ***The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (I) has at least three members,* a *majority of whom are independent directors; and*** (ii) ***is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) If ft does not have risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.***

The Company has an Audit Committee which oversees the Company's internal control function and reviews the Company's guidelines and policies with respect to risk assessment and risk management. Recommendation 4.1 sets out, or provides the location of the information referred to in Recommendation 7.1.

***Recommendation 7.2*** - ***The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.***

The Board at least annually undertakes a structured consideration and review of the risk management framework and the material risks faced by, and the risk attitude of, the Company. In the financial year ended 30 June 2019, the Board undertook a review of the Company's risk management framework.

***Recommendation 7.3*** - ***A listed entity should disclose: (a) if it has an internal audit function, how the function Is structured and what role It performs; or (b) if It does not have an Internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and Internal control processes.***

Given the Company's current size and nature of its operations, the Board does not consider it appropriate to have a separate internal audit function. The Company is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes.

**DIRECTORS' REPORT (Continued)**

Operational, financial, legal, compliance, strategic and reputational risks continue to be managed primarily by the Chief Executive Officer as a part of the day-to-day management of the Company's affairs. Where appropriate, these risks are managed with the support of relevant external professional advisers.

The Board with the assistance of the Audit Committee is responsible for monitoring and reviewing the effectiveness the Company's risk management and internal control processes and the ongoing mitigation and management of key business risks is a standing item of business on the agenda of the Committee. Management is responsible for ensuring the Company's material business risks are managed and for reporting to the Committee on whether those risks are being managed effectively.

The Board constantly monitors the operation and financial aspects of the Company's activities and considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that it faces. The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

***Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.***

During the financial year ended 30 June 2019, the Board determined that the Company did not have any material exposure to economic and environmental risks. The Company recognises the social sustainability risks of operating social media platforms, particularly those involving students. The Company is subject to a variety of laws, regulations and self-regulatory principles and frameworks in Australia, the United States and other jurisdictions that involve maters such as privacy, data security and protection, content regulation, protection of minors and consumer protection.

The Company monitors evolving laws and regulations effecting social media to ensure its products and services comply. The Company self-regulates the content on its sites and products and has a content moderation policy based on international law enforcement guidelines.

**Principle 8: Remunerate fairly and responsibly**

***Recommendation 8.1 - The board of*** **a** ***listed entity should: (a) have*** **a** ***remuneration committee which: (I) has at least three members,*** **a** ***majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have risk committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that remuneration Is appropriate and not excessive.***

The Company has a Compensation Committee which oversees the remuneration of Directors and senior executives and makes recommendations to the Board. Due to the current size and nature of activities the Compensation Committee comprises all directors. The Committee is chaired by a Director.

***Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.***

The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives is set out in the Compensation Committee Charter and in the Remuneration Report contained in the 2019 Annual Report

***Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have*** **a** ***policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the*** **scheme;** ***and (b) disclose that policy or*** **a** ***summary of It.***

The Company has an equity-based remuneration scheme, the US Omnibus Equity Incentive Plan which was approved by shareholders at an extraordinary general meeting held on 5 May 2015.

The Company's Share Trading Policy has been updated to incorporate Recommendation 8.3 and provides that participants in any equity-based remuneration scheme of the Company must not enter into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any **unvested scheme entitlement (i.e. an entitlement that is subject to time and/or performance hurdles) in the Company's** securities.

**AZURE HEALTH TECHNOLOGY LIMITED**
**ABN 31 111 082 485**

SYDNEY
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2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
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## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AZURE HEALTH TECHNOLOGY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 26 July 2019

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **Revenue and Other Income** | | | |
| Revenue | 2 | - | - |
| Interest Income | 2 | 48 | - |
| Other Income | 2 | 3,331,163 | - |
| **Expenses** | | - | - |
| Licence fee | 3 | (44,871) | - |
| Marketing expenses | 3 | (23,750) | - |
| Travel and entertainment expenses | 3 | (4,690) | - |
| Occupancy expenses | 3 | (4,000) | - |
| Administration expenses | 3 | (26,103) | - |
| Bank fees | | (18) | - |
| Legal and professional fees | 3 | (430,448) | - |
| Directors fees | 3 | (47,580) | - |
| **Profit before income tax expense** | | **2,749,752** | **-** |
| Income tax expense | 4 | - | - |
| **Net profit for the year** | | **2,749,752** | **-** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **2,749,752** | **-** |
| Basic and diluted earnings per share (cents per share) | 5 | 3.95 | - |

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2019

| | Notes | Consolidated 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 1,327 | - |
| Trade and other receivables | 8 | 143,114 | - |
| **Total Current Assets** | | **144,441** | **-** |
| **Non-Current Assets** | | **-** | **-** |
| **Total Assets** | | **144,441** | **-** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 140,776 | 1,871,095 |
| Employee benefits | | - | 62,106 |
| Borrowings | 10 | 230,000 | 1,476,000 |
| **Total Current Liabilities** | | **370,776** | **3,409,201** |
| **Non-Current Liabilities** | | **-** | **-** |
| **Total Liabilities** | | **370,776** | **3,409,201** |
| **Net Liabilities** | | **(226,335)** | **(3,409,201)** |
| **Equity** | | | |
| Issued capital | 11 | 69,575,647 | 69,142,533 |
| Reserves | 11 | 11,582,945 | 13,729,375 |
| Accumulated losses | | (81,384,927) | (86,236,344) |
| Non-controlling interest | | - | (44,765) |
| **Total Equity** | | **(226,335)** | **(3,409,201)** |

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2019**

| | | Consolidated | |
|---|---|---|---|
| | | **2019** | **2018** |
| | **Notes** | $ | $ |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (583,703) | - |
| Interest received | | 48 | - |
| Interest paid and finance costs | | (18) | - |
| **Net cash (used in) operating activities** | **7** | **(583,673)** | **-** |
| **Cash flows from investing activities** | | **-** | **-** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 355,000 | - |
| Proceeds from borrowings | 10 | 230,000 | - |
| **Net cash provided by financing activities** | | **585,000** | **-** |
| **Net increase in cash and cash equivalents** | | **1,327** | **-** |
| Cash and cash equivalents at 1 July | | - | - |
| **Cash and cash equivalents at end of year** | **6** | **1,327** | **-** |

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2019

| | Issued capital | Foreign currency translation reserve | Option reserve | Accumulated Losses | Non Controlling Interest | Total |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2018** | **69,142,533** | **2,146,430** | **11,582,945** | **(86,236,344)** | **(44,765)** | **(3,409,201)** |
| Profit after tax | - | - | - | 2,749,752 | - | 2,749,752 |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **2,749,752** | **-** | **2,749,752** |
| **Transaction with owners in their capacity as owners** | | | | | | |
| Reclassification on disposal of subsidiaries pursuant to DOCA | - | (2,146,430) | - | 2,101,665 | 44,765 | - |
| Issue of ordinary shares | 433,114 | - | - | - | - | 433,114 |
| **Total transaction with owners** | **433,114** | **(2,146,430)** | **-** | **2,101,665** | **44,765** | **433,114** |
| **Balance at 30 June 2019** | **69,575,647** | **-** | **11,582,945** | **(81,384,927)** | **-** | **(226,335)** |
| | | | | | | |
| **Balance at 30 June 2017** | **69,142,533** | **2,146,430** | **11,582,945** | **(86,236,344)** | **(44,765)** | **(3,409,201)** |
| Loss after tax | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **2,749,752** | **-** | **2,749,752** |
| **Transaction with owners in their capacity as owners** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2018** | **69,142,533** | **2,146,430** | **11,582,945** | **(86,236,344)** | **(44,765)** | **(3,409,201)** |

The accompanying notes form part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Azure Health Technology Limited and its subsidiaries.

The financial statements have been prepared in accordance with the historical cost basis and presented in Australian dollars. Cost is based on the fair values of the consideration given in exchange for assets. The Company is a listed public Company, incorporated in Australia and operating in Australia.

*Going Concern*
On 1 July 2017, the Company had a working capital deficiency and the Directors determined to place the Company into Voluntary Administration. A proposal from Benelong Capital Partners Ltd (Benelong), for the restructure and recapitalisation of the company via a varied DOCA was submitted on 27 June 2018. The purpose of this Deed was to facilitate the recapitalisation of the Company with new business direction under a new Board of Directors. The deed of company arrangement was entered in to on 20 August 2018.

The Revised DOCA was approved by shareholders at the General meeting on 18 December 2018 and the Company was removed from external administration and the Company returned to the control of the new Board of Directors. As the first stage of the recapitalisation, a small amount of capital was raised to meet the Company's immediate needs. All pre-Administration liabilities of the Company were extinguished by the establishment of a Creditors Trust in accordance with the DOCA. Company liabilities incurred during the DOCA were met by the Deed Administrators from remaining company assets. Upon the Company being returned to the control of the new Board, the Company had extinguished the recapitalisation liabilities.

During the year ended 30 June 2019, the Company incurred negative cash flows from operations of $583,673, and as of that date the Company had a working capital deficiency of $226,335.

At the date of this Report, the new Board is determining the new direction the business will take and will, as part of a programme to secure the re-quotation of the Company's shares on the ASX, among other things, raise further capital to fund the future business plan of the Company.

The Directors are satisfied that the Company will be able to meet its liabilities as and when they fall due in the interim and as a consequence of this belief and the planned future capital raising, the Directors believe that the Company remains a going concern at the date of this Report.

The Board recognises that additional funding is required to ensure that the Company can continue to fund its operations for a period of at least twelve months from the date of signing this financial report but is confident that additional funding and a suitable business opportunity will be forthcoming in the short term.

If the Board's plan fails for any other reason, the Company would urgently need to secure further capital by some other means. Further additional funding is potentially available from one or a combination of the following:

- Equity placement; or
- Loan funds unsecured or secured against a proposed new business of the Company.

Should any future proposal for further funding be rejected by shareholders or otherwise fails for any reason and none of the future equity raisings and/or the other arrangements mentioned above can be completed to the extent required, there will exist a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and extinguish its liabilities in the normal course of business.

**(b) Adoption of new and revised standards**

*Standards and Interpretations applicable to 30 June 2019*

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual Reporting Period.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

*Standards and Interpretations in issues not yet adopted*

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2019. As a result of the review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is expected to the Group's accounting policies.

**(c) Statement of Compliance**

The financial report was authorised for issue on 26 July 2019.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**(d) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**(e) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

**(f) Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

**(g) Income Tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the Reporting Period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

when the deferred income tax asset relating to the deductible temporary difference arises from 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 the accounting profit nor taxable profit or loss; or

when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(h) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(i) Financial instruments**

***Initial recognition and measurement***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

***Classification and subsequent measurement***

*Financial liabilities*

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in a effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

*Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

***Derecognition***

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

*Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

***Impairment***

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the simplified approach and
- low credit risk operational simplification.

*Simplified approach*

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

*Low credit risk operational simplification approach*

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

*Recognition of expected credit losses in financial statements*

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

**(j) Trade and other payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

**(k) Interest-bearing loans and borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probably that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Reporting Period.

**(l) Employee leave benefits**

*Wages, salaries and annual leave*
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(m) Share-based payment transactions**

*(i) Equity settled transactions:*
The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Azure Health Technology Limited (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(n) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

**(o) Earnings per share**

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(p) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Azure Health Technology Limited.

**(q) Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Azure Health Technology Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Azure Health Technology Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Azure Health Technology Limited.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards).

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| **NOTE 2: REVENUE AND OTHER INCOME** | $ | $ |
| Revenue | - | - |
| Interest received | 48 | - |
| Other income | | |
| - Debt forgiveness from unsecured creditors pursuant to DOCA | 1,933,201 | |
| - Debt forgiveness from secured creditors pursuant to DOCA | 1,397,962 | - |
| | 3,331,163 | - |

The DOCA was approved by the board on 18 December 2018 and the company was removed from Administration. As part of the DOCA, the net liabilities were transferred to a Creditors Trust. This resulted in recognition of debt forgiveness amounting to $3,331,163.

The subsidiary companies were also transferred to the Creditors Trust as part of this restructure. The Foreign Currency Translation reserve relating to the foreign subsidiaries investments was reclassified to accumulated losses.

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| **NOTE 3: EXPENSES** | $ | $ |
| **Licence fee** | | |
| - ASX and ASIC fees | 44,871 | - |
| **Marketing expenses** | | |
| - Design and Branding | 23,750 | - |
| **Travel and entertainment expenses** | 4,690 | - |
| **Occupancy expenses** | 4,000 | - |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2019

| | Consolidated 2019 | 2018 |
|---|---|---|
| **NOTE 3: EXPENSES** | $ | $ |
| **Administration expenses** | | |
| - Printing & postage of material for meetings | 24,390 | - |
| - Other expenditure | 1,713 | - |
| | 26,103 | - |
| | | |
| **Legal and professional fees** | | |
| - Payment to Administrator | 154,545 | - |
| - Legal fees for drafting DOCA | 59,863 | - |
| - Independent Expert report on DOCA | 11,825 | - |
| - Ongoing legal support and contract review | 25,438 | |
| - Other expenditure | 178,777 | - |
| | 430,448 | - |
| | | |
| Directors fees | 47,580 | - |

**NOTE 4: INCOME TAX**

| **(a) Income Tax Expense** | **2019** | **2018** |
|---|---|---|
| | $ | $ |
| Prima Facie tax on profit before income tax is reconciled to income tax expense as follows: | | |
| Profit for year | 2,749,752 | - |
| | | |
| Prima facie income tax expense @ 27.5% | 756,182 | - |
| Add tax effect of: | | |
| Non-allowable items | - | - |
| Non-assessable items | (916,070) | - |
| Tax losses and timing differences not brought to account | 159,888 | - |
| | - | - |

**(b) Deferred Tax Assets**

The following deferred tax assets, net of deferred tax liabilities, have not been brought to account as assets:

| | 2019 | 2018 |
|---|---|---|
| Tax losses carried forward | 53,451,038 | 53,291,150 |
| Other temporary differences not recognised | 2,512,971 | 2,512,971 |
| Unused tax losses | 55,964,009 | 55,804,121 |

- These amounts have not been brought to account as it is not considered probable that the Company will earn taxable income in the foreseeable future to allow the deferred tax assets to be utilised.

- The Company has not yet carried out an assessment as to whether it is able to utilise current year and prior years; tax losses against future taxable income following the significant changes in the Company's shareholding and the changes to the Company's operations. If the Company does not satisfy the eligibility criteria relating to the continuation of ownership test and the same business test for carrying forward these tax losses, it will not be able to utilise some or all of these tax losses against future taxable income.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 5: LOSS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Basic and diluted earnings per share (cents per share) | 3.95 | - |
| Earnings – Net profit for year | 2,749,752 | - |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 179,998,454 | 1,659,796,126 |

Diluted earnings per share has not been calculated as there were no securities on issue which would be potential ordinary shares having a dilutive effect.

## NOTE 6: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Cash at bank | 1,327 | - |
| | 1,327 | - |

## NOTE 7: CASH FLOW INFORMATION

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Reconciliation of loss for the year to net cash flow used in operating activities: | | |
| Profit for the year | 2,749,752 | - |
| Non-Cash items and reclassifications | | |
| Gain on debt forgiveness | (3,331,163) | - |
| Changes in assets and liabilities | | |
| - Trade and other receivables | (143,114) | - |
| - Trade and other payables | 140,852 | - |
| Net cash flows (used in) operating activities | **(583,673)** | - |

## NOTE 8: TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Other receivables | 58,863 | - |
| Deposits paid | 84,251 | - |
| | 143,114 | - |

Other receivables mainly represent the $58,787 GST input credit on invoices paid.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

### NOTE 9: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| Current | **2019** | **2018** |
| | $ | $ |
| Trade payables | 69,776 | 367,523 |
| Other payables and accruals | 71,000 | 1,503,572 |
| | 140,776 | 1,871,095 |

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30-day terms.
- Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

### NOTE 10: BORROWINGS

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| Convertible notes | - | 799,000 |
| Loan from shareholder | 230,000 | 677,000 |
| | 230,000 | 1,476,000 |

On 31 October 2016, Rhonda Nairn executed a loan agreement with the Company for an initial advance of $150,000 to the Company secured by a GSA over the Company's assets and registered on the PPSR. Following this initial advance Rhonda Nairn has advanced an additional $350,000, and is owed an additional $177,000 in interest and fees. These loans were provided to assist with the Company meeting its short term liquidity requirements. In total The Secured Creditor had an outstanding balance of $677,000.

In March to May 2017 the Company required working capital funding whilst restructuring options were being explored. Certain shareholders of the Company provided this funding via convertible notes secured by GSA's. A total of $780,000 was lent via the convertible notes. The Convertible Note Holders security all ranks after the security of The Secured Creditor. There is an additional $19,000 interest payable. The total balance of the liability to the Convertible note holders is $799,000.

Pursuant to the DOCA approved by general meeting on 18 December 2019, the Convertible notes and the Shareholder loan was moved to the Creditors Trust and 30,655,000 shares were issued to Rhonda Nairn, the secured creditor.

On the 22 February 2019 Wei Jiang lent $100,000 to the company to meet short term working capital commitments. On the 21 May 2019 Wei Jiang lent a further $130,000 to the company. The loan is unsecured and non-interest bearing.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 11: ISSUED CAPITAL AND RESERVES

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Issued and paid up capital** | | |
| Ordinary shares fully paid | 69,575,647 | 69,142,533 |

### (a) Ordinary shares

| Details | Issue Date | Number of shares | Issue Price | Amount $ |
|---|---|---|---|---|
| **Balance as at 1 July 2017** | | **1,659,796,126** | | **69,142,533** |
| **Balance as at 30 June 2018** | | **1,659,796,126** | | **69,142,533** |
| Shares consolidated on a 1:382 basis | 18 Dec 2018 | (1,655,452,677) | - | - |
| Settlement of secured creditors pursuant to DOCA | 18 Dec 2018 | 31,655,000 | 0.00246528 | 78,038 |
| Issuance of shares pursuant to DOCA | 18 Dec 2018 | 144,000,000 | 0.00246528 | 355,000 |
| Exercise of share option | 1 Apr 2019 | 5 | 15.28 | 76 |
| **Balance as at 30 June 2019** | | **179,998,454** | | **69,575,647** |

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

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

### (b) Options

*Options granted*

During the year ended 30 June 2019, the Company issued no new options over ordinary shares.

*Unissued shares under option*

As at 30 June 2019, there were no unissued ordinary shares of the Company under option. All options over ordinary shares and American Depository Shares expired during the year ended June 2019. There were no new options issued in the year.

### (c) Reserves

**Foreign currency translation reserve**

This reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to Australian dollars. According to the DOCA, the subsidiaries were transferred to the Creditors Reserve as at 18 December 2018. The Foreign currency translation reserve was reclassified to accumulated losses.

**Share-based payments reserve**

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

**Consolidated**

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Foreign currency translation reserve** | | |
| Balance at beginning of the year | 2,146,430 | 2,557,928 |
| Reclassification on disposal of subsidiaries pursuant to DOCA | (2,146,430) | (411,498) |
| **Balance at the end of the year** | - | 2,146,430 |
| | | |
| **Share-based payments reserve** | | |
| Balance at beginning of the year | 11,582,945 | 11,495,550 |
| Share-based payments | - | 87,395 |
| Balance at the end of the year | 11,582,945 | 11,582,945 |
| **TOTAL RESERVES** | **11,582,945** | **13,729,375** |

**NOTE 12: CONTINGENT LIABILITIES**

There were no contingent liabilities at 30 June 2019 (2018: $Nil).

**NOTE 13: RELATED PARTY DISCLOSURES**

(a) Parent entity

The ultimate parent entity within the Group is Azure Health Technology Ltd (Previously called Moko Social Media Limited).

(b) Subsidiary

| Name of Controlled Entity | Class of Share | Place of Incorporation | % Held by Parent Entity | |
|---|---|---|---|---|
| | | | **2019** | **2018** |
| MOKO Mobi Inc | Ordinary | United States of America | - | 100% |
| Paper Tree Limited | Ordinary | British Virgin Islands | - | 100% |
| Tagroom Pty Limited | Ordinary | Australia | - | 94.2% |

The administrator advised that MOKO Mobi was insolvent and therefore the shares in this entity had no value. The administrator also advised that Tagroom Pty Ltd and Paper Tree Ltd were dormant and held no material assets and, accordingly the shares in these entities also held no value. The investments in subsidiaries were transferred to the creditors trust on 18 December 2019. Azure Health Technology Limited held no subsidiary investments as at 30 June 2019.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 15.

(d) Transactions with related parties

On the 22 February 2019 Wei Jiang lent $100,000 to the company to meet short term working capital commitments. On the 21 May 2019 Wei Jiang lent a further $130,000 to the company. The loan is unsecured and non-interest bearing.

There were no other transactions with related parties (2018: $Nil).

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 14: PARENT ENTITY INFORMATION

| | Parent | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| Current assets | 144,441 | - |
| Total assets | 144,441 | - |
| Current liabilities | (370,776) | (3,409,201) |
| Total liabilities | (370,776) | (3,409,201) |
| Net liabilities | (226,335) | (3,409,201) |
| | | |
| Issued capital | 69,575,647 | 69,142,533 |
| Reserves | 11,582,945 | 11,582,945 |
| Accumulated losses | (81,384,927) | (84,134,679) |
| Total equity | (226,335) | (3,409,201) |
| | | |
| Profit of the parent entity after tax | 2,749,752 | - |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive loss of the parent entity | 2,749,752 | - |

## NOTE 15: KEY MANAGEMENT PERSONNEL DISCLOSURES

| | |
|---|---|
| Emma Waldon | Non-Executive Director (Resigned 18 December 2018). Company Secretary (Resigned 18 December 2018) |
| Edward Bralower | Non-Executive Director (Resigned 18 December 2018) |
| Malcolm James | Non-Executive Director (Appointed 7 October 2016 and Resigned 18 December 2018) |
| Gregory Starr | Non-Executive Director (Appointed 18 December 2018) Company Secretary (Appointed 18 December 2018) |
| Steve Nicols | Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019) |
| Greg Cornelson | Non-Executive Director (Appointed 18 December 2018 and resigned 15 March 2019) |
| Steven Jiayi Yu | Non-Executive Director (Appointed 28 March 2019) |
| Mr Wei Jiang | Non-Executive Chairman (Appointed 15 March 2019) |
| Weidong Chen | Non-Executive Director (Appointed 15 March 2019) |

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

## NOTE 16: AUDITOR'S REMUNERATION

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| Remuneration of the auditor for: | - | - |
| - auditing or reviewing the financial statements | 71,000 | - |
| | 71,000 | - |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 17: FINANCIAL REPORTING BY SEGMENTS

During the Reporting Period, the company was under external administration up until 18 December 2019 and was not trading for this period. Since the 18 December 2018, the new Board is determining the new direction the business will take and will, as part of a programme to secure the re-quotation of the Company's shares on the ASX, among other things, raise further capital to fund the future business plan of the Company. Accordingly, the operations have not been segregated by segment and no further disclosure is required in the notes to the financial statements.

## NOTE 18: FINANCIAL INSTRUMENTS

### Capital risk management

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity to be able to conduct the Company's business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will when appropriate consider the need for raising additional equity capital.

The capital structure of the Company consists of debt, which includes borrowings disclosed in note 10 and equity attributable to equity holders comprising capital, reserves and retained earnings or accumulated losses as disclosed in note 11.

### Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Company has no variable interest bearing loans its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At balance date, the following table details the Company's expected maturity for its non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities on the financial instruments including interest that will be earned on these instruments.

| | Consolidated | |
|---|---|---|
| | **2019** | **2018** |
| **Financial Assets** | **$** | **$** |
| Cash and cash equivalents (interest-bearing accounts) | 1,327 | - |
| Net exposure | 1,327 | - |

### Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts payable and borrowings.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

### Liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

**Net fair value**

The net fair value of monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

## NOTE 19: EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There were no significant events subsequent the end of the reporting period up to the date of this report.

## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Azure Health Technology Limited ("the Company"):

a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year then ended; and

ii) complying with Australian Accounting Standards applicable to the Company, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

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

Wei Jiang

Chairman

SYDNEY, New South Wales

26 July 2019

**AZURE HEALTH TECHNOLOGY LIMITED**
**ABN 31 111 082 485**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AZURE HEALTH TECHNOLOGY LIMITED**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

### *Qualified Opinion*

We have audited the financial report of Azure Health Technology Limited (the company), 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Azure Health Technology Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company'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 Qualified Opinion*

As disclosed in the Directors' Report, on 31 May 2017, the group was placed into voluntary administration. On 7 November 2017, the group entered a Deed of Company Arrangement (DOCA) and was then recapitalised and returned to normal trading following the effectuation of the DOCA on 18 December 2018. The accounting and statutory records prior to 18 December 2018 were not adequate to permit the application of necessary audit procedures. As such, we are unable to obtain all the information and explanations we require to determine whether adjustments to the results of operations and opening accumulated losses might be necessary as at 1 July 2018. Accordingly, we did not express an opinion on the financial report for the year ended 30 June 2018. Our opinion on the current year's financial report is also modified because of the possible effect of this matter on the current year's statement of profit or loss and other comprehensive income and statement of cash flows and on the comparative figures.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the company in accordance with 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 company, 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.

**AZURE HEALTH TECHNOLOGY LIMITED**
**ABN 31 111 082 485**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AZURE HEALTH TECHNOLOGY LIMITED**

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1(a) in the financial report, which indicates that the company incurred negative cash flows from operations of $583,673 during the year ended 30 June 2019, and as of that date the company had a working capital deficiency of $226,335. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***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 year ended 30 June 2019. We have determined that there are no key audit matters to communicate in our report, other than the matters described in the Material Uncertainty Related to Going Concern section and the Basis for Qualified Opinion section above.

***Information Other than the Financial Report and Auditor's Report Thereon***

The directors are responsible for the other information. The other information comprises the information included in the company'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.

***Responsibilities of the Directors for the Financial Report***

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**AZURE HEALTH TECHNOLOGY LIMITED**
**ABN 31 111 082 485**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AZURE HEALTH TECHNOLOGY LIMITED**

***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 this financial report.

As part of an audit in accordance with 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 director's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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.

HALL CHADWICK (NSW)

**AZURE HEALTH TECHNOLOGY LIMITED**
**ABN 31 111 082 485**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AZURE HEALTH TECHNOLOGY LIMITED**

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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 10 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Azure Health Technology Limited, for the year ended 30 June 2019, complies with s 300A of the Corporations Act 2001.

***Responsibilities***

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

**DREW TOWNSEND**
Partner
Dated: 26 July 2019

# SUPPLEMENTARY INFORMATION

The shareholder information set out below was applicable as at 18 July 2019

(i) Distribution schedule of Fully paid Ordinary Shares (ASX: AZT)

| Range | Securities | % | No of Holders | % |
|---|---|---|---|---|
| 10,000,001 and Over | 174,655,000 | 97.03 | 2 | 0.05 |
| 1,000,001 to 10,000,000 | - | - | - | - |
| 100,001 to 1,000,000 | 2,402,080 | 1.33 | 6 | 0.16 |
| 1 to 100,000 | 2,941,369 | 1.63 | 3,797 | 99.79 |
| **Total** | **179,998,449** | **100** | **3,805** | **100** |

There were 3,797 holders of less than a marketable parcel of ordinary shares.

**Twenty Largest Shareholders**

The names of the twenty largest shareholders as at 30 June 2019 were as follows:

| Rank | Shareholder Name | Holding | % |
|---|---|---|---|
| 1 | MR WEI JIANG | 144,000,000 | 80.00% |
| 2 | RHONDA NAIRN | 30,655,000 | 17.03% |
| 3 | RPK NOMINEES LTD | 1,000,000 | 0.56% |
| 4 | NATIONAL NOMINEES PTY LIMITED | 480,652 | 0.27% |
| 5 | AUXILIATUS PTY LTD | 392,670 | 0.22% |
| 6 | MR TREVOR DOUGLAS NAIRN | 247,475 | 0.14% |
| 7 | UBS NOMINEES PTY LTD | 163,613 | 0.09% |
| 8 | GREATSIDE HOLDINGS PTY LTD | 117,670 | 0.07% |
| 9 | ICE COLD INVESTMENTS PTY LTD | 91,623 | 0.05% |
| 10 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 84,936 | 0.05% |
| 11 | ICE COLD INVESTMENTS PTY LTD | 78,534 | 0.04% |
| 12 | OCCASIO HOLDINGS PTY LTD | 68,063 | 0.04% |
| 13 | MARGADH STOC PTY LTD | 60,916 | 0.03% |
| 14 | FIRST INVESTMENT PARTNERS PTY LTD | 57,592 | 0.03% |
| 15 | WESTRADE RESOURCES PTY LTD | 52,847 | 0.03% |
| 16 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 47,692 | 0.03% |
| 17 | MR BRADLEY JOHN HARRIS | 41,885 | 0.02% |
| 18 | MR GREGORY RONALD MCCANN & MRS JANE LOUISE MCCANN | 39,776 | 0.02% |
| 19 | FLORENCE PROPRIETARY LIMITED | 39,776 | 0.02% |
| 20 | MR JOHN ANASSIS | 35,799 | 0.02% |
| | **Top 20** | **847,759,512** | **98.75%** |

**Substantial Shareholders**

Substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company as at 30 June 2019 were:

| **No. of Shares** | | |
|---|---|---|
| Wei Jiang | 50,163,402 | 80.00% |
| Rhonda Nairn | 144,915,905 | 17.03% |

## SUPPLEMENTARY INFORMATION

**Voting Rights**

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares: Subject to any rights or restrictions for the time being attached to any class of shares, at a meeting of shareholders each shareholders entitled to vote may vote in person or by proxy or attorney or, being a corporation, by representative duly authorised under the Corporations Law, and has one vote on a show of hands and one vote per fully paid share on a poll

*(ii) Options: No voting rights.*

**On-market Buy-back**

Currently there is no on-market buy-back of the Company's securities.

**Restricted Securities**

The Company does not hold any restricted securities

**Listing Rule 4.10.13**

Azure Health Technology Limited securities are quoted on the following exchanges: ASX under the code AZT

**Analysis of numbers of equity security holders by size of holding:**

There were 3,797 holders of less than a marketable parcel of ordinary shares.