Kingform Health Hometextile Group Limited
ACN 153 801 766
Annual Report for the Year Ended 30 June 2014

CORPORATE GOVERNANCE STATEMENT

Kingform Health Hometextile Group Limited's Corporate Governance Arrangements

The objective of the Board of Kingform Heath Hometextile Group Limited is to create and deliver long-term shareholder value through a range of diversified but interrelated extractive, manufacturing and retailing activities. While each area of the Group's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Kingform Heath Hometextile Group Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

Kingform Heath Hometextile Group Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2010 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2014.

Board Composition

The Board comprises 3 directors, 2 of whom are non-executive and meet the Board's criteria to be considered independent. The names of the non-executive/independent directors are:

- Xun Yang
- Paul Desmond Nolan

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonable be perceived to materially interfere with, the independent exercise of their judgment. For a director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the Group's outstanding shares;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the Group or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the Group or any of its related entities.

A complete listing of the Board's directors for the year ended 30 June 2014, along with their biographical details, is provided in the directors' report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

CORPORATE GOVERNANCE STATEMENT

Board Composition (Continued)

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the Group is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. As manufacturing and retail trade constitute a significant part of the Group's overall operations, directors are required to have detailed knowledge and understanding of these industries.

Nevertheless, directors need to have a strong understanding of a range of other areas, including finance, contract law and occupational health and safety requirements.

Notwithstanding the fact that the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the directors' report.

ASX Corporate Governance Council Recommendation 2.2 requires that the chairperson should be an independent director. Recommendation 2.3 states that the roles of chairperson and chief executive officer should not be exercised by the same individual. Recommendations 2.2 and 2.3 were not followed by the Group during the reporting period. The Board considers specific personal expertise and industry experience to be important attributes of Board members and mindful of the resources available to the Group, believes that the composition of the Board is appropriate given the size and business development of the Group at the present stage. However, the Board, as a whole, reviewed succession requirements taking into account the range of skills, experience and expertise of the current members, and the resources available to and required by the Group.

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy.

The Code of Conduct policy requires all directors, management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Group is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

CORPORATE GOVERNANCE STATEMENT

Diversity Policy (Continued)

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity.

	2013 No.	%	2014 No.	%
Women on the Board	-	-	-	-
Women in senior management roles	2	25	6	50
Women employees in the Group	60	71	87	81

Share Ownership and Share Trading Policy

Details of directors' individual shareholdings in Kingform Heath Hometextile Group Limited are provided in the remuneration report.

The Board's policy regarding directors and employees trading in Kingform Heath Hometextile Group Limited shares restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Group's share price.

Directors and key management personnel (KMP) are prohibited from limiting risk attached to incentives paid in the form of options or rights by use of derivatives or other means.

Board Committees

To facilitate achieving its objectives, the Board has established four sub-committees comprising board members; the audit committee, nomination committee, remuneration committee and risk committee. Each of these committees has formal terms of reference that outline the committee's roles and responsibilities, and the authorities delegated to it by the Board.

Audit Committee

The role of the audit committee is to assist the Board in monitoring the processes and controls associated with the financial reporting function that ensure the integrity of the Group's financial statements. Specifically, the audit committee oversees:

- the appointment, independence, performance and remuneration of the external auditor;
- the integrity of the audit process;
- the effectiveness of the internal controls; and
- compliance with applicable regulatory requirements.

The audit committee comprises 2 directors. Paul Desmond Nolan is the independent chairman of the committee and Yang Xun is the member of the committee. They are both non-executive/independent directors. This is consistent with the ASX's Corporate Governance Principles and Recommendations, which requires the Chair of the audit committee is independent and does not hold the position of Chair of the Board.

Nomination Committee

The role of the nomination committee is to assist the Board in ensuring that the Board comprises directors with a range and mix of attributes appropriate for achieving its objective. The committee assists the Board by:

- reviewing the skills and expertise of directors and identifying potential deficiencies;

CORPORATE GOVERNANCE STATEMENT

Nomination Committee (Continued)

- identifying suitable candidates for the Board, with the assistance of independent recruiting agencies;
- overseeing board and director reviews; and
- establishing succession planning arrangements.

The nomination committee comprises 2 directors. Paul Desmond Nolan is the independent chairman of the committee and Yang Xun is the member of the committee. They are both non-executive/independent directors.

Remuneration Committee

The role of the remuneration committee is to assist the Board in the general application of the remuneration policy. In doing so, the remuneration committee is responsible for:

- developing remuneration policies for directors and KMP, with the assistance of independent external consultants;
- reviewing KMP remuneration packages annually and, based on these reviews, making recommendations to the Board on remuneration levels for KMP; and
- assisting the Chair in reviewing KMP performance biannually and reporting to the Board on KMP performance.

During the year ended 30 June 2014, the remuneration committee comprises 2 directors. Paul Desmond Nolan is the independent chairman of the committee and Yang Xun is the member of the committee. They are both non-executive/independent directors.

The qualifications of the remuneration committee members and their attendance at meetings of the committee are included in the directors’ report.

There are no schemes for retirement benefits for directors other than statutory superannuation arrangements for non-executive/independent directors.

Risk Committee

The role of the risk committee is to assist the Board with the identification and management of business operational risks faced by the Group. The risk committee responsibilities include overseeing our risk management systems, practices and procedures.

The Board has received assurance from Mr Xikang Jin (CEO) provided in accordance with section 295A of the Act that the financial records are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The risk committee comprises 2 directors and 1 senior executive of the Group. Paul Desmond Nolan is the independent chairman of the committee and Yang Xun is the member of the committee. They are both non-executive/independent directors.

The qualifications of the remuneration committee members and their attendance at meetings of the committee are included in the directors’ report.

Weiping Zhu, the Chief Operating Officer, is the senior executive member of the risk committee.

CORPORATE GOVERNANCE STATEMENT

Performance Evaluation

The Board assesses its performance, the performance of individual directors and the performance of its committees annually through a combination of internal peer review and externally facilitated evaluation processes. Directors' individual performances are also evaluated each year against their performance plans, which are reviewed annually. The Board also formally reviews its governance arrangements on a similar basis annually.

Performance evaluations for individual directors, the Board and all of its committees were conducted during the reporting period ending 30 June 2014 in accordance with the above process. Further details regarding the Board's remuneration policy for non-executive/independent directors is provided in the remuneration report.

The performance of KMP is reviewed on a biannual basis by the Chair, with the assistance of the remuneration and finance and operations committees.

The performance of each member of KMP is assessed against their individual performance plans, which comprise target performance indicators. Performance indicators for each KMP are set annually in consultation with KMP. Consideration is also given to the contribution each member of KMP makes to board meetings. Further details regarding the Board's remuneration policy for KMP is provided in the remuneration report.

Performance evaluations for each member of KMP were conducted during the reporting period ending 30 June 2014 in accordance with the process described above.

Board Roles and Responsibilities

The Board monitors our progress, governance and performance on behalf of our Shareholders, by whom it is elected and to whom it is accountable. The Board charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

The Board's responsibilities include:

- providing strategic direction to Kingform Health Hometextile Group Limited and monitoring management's performance;
- appointing and removing the CEO and approving succession plans for the senior executive team;
- approving senior management remuneration policies and practices;
- reporting to shareholders and ensuring that all regulatory requirements are met;
- ensuring that Kingform Health Hometextile Group Limited has appropriate corporate governance and compliance frameworks in place and that Kingform Health Hometextile Group Limited's business is conducted ethically and transparently;
- approving policies governing the operations of Kingform Health Hometextile Group Limited;
- approving and monitoring financial performance, capital management and the determination of dividend payments;
- approving and monitoring the progress of business objectives;
- risk management of the Group;
- advising the senior management of the Group regularly and as needed;
- making decision on initiatives or matters that are not business strategy related, such as major acquisitions and disposal of property;
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Group; and
- comply with governance guidelines of the Group

CORPORATE GOVERNANCE STATEMENT

Board Roles and Responsibilities (Continued)

The Board has delegated to the Chief Executive Officer (CEO), Xikang Jin, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value. A complete description of the functions reserved to the Board and those it has delegated to the CEO is available from the Board Governance Document. The document also provides guidance on the relationship between the Board and the CEO.

Notwithstanding these delegations of authority by the Board, the CEO remains accountable to the Board for the authority delegated to him and for the performance of the Group's business activities at all times. As noted above, the Board regularly monitors the decisions and actions of the CEO as well as the performance of the Group's business activities.

A key plank of the Board Governance Document is the requirement for all directors to demonstrate honesty, integrity, and preparedness to critically evaluate all aspects of the Group's operations. Inherent in all of this is the expectation that directors:

- commit the necessary time and energy to fulfil their responsibilities as directors; and
- place the interests of the Group before their personal interests

The Chair is responsible for ensuring individual directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements. The Chair discharges their responsibilities in a number of ways, primarily through:

- setting agendas in collaboration with other directors and KMP;
- encouraging critical evaluation and debate among directors;
- managing board meetings to ensure that all critical matters are given sufficient attention; and
- communicating with stakeholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the Group's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the Group

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. The Board actively encourages shareholders to attend and participate in the Annual General Meetings of Kingform Heath Hometextile Group Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.

The Board is committed to the identification, monitoring and management of risks associated with our business activities and have established a Risk Committee to have responsibility for identifying and overseeing major risk areas and ensuring that systems are in place to manage them, and report to the Board as and when appropriate. The Risk Management Policy sets out a detailed risk management process, including, review the environment, identify risks and triggers, understand risk exposure, evaluate risk, mitigate risk and review and monitor.

CORPORATE GOVERNANCE STATEMENT

Remuneration Policy

The remuneration policy, which sets the terms and conditions for executive and non-executive directors, and KMP, was developed by the remuneration committee and was approved by the Board. All executives receive a base salary and retirement benefit. The remuneration committee reviews executive packages annually by reference to Group performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half-yearly which are based on the forecast growth of the Group's profits and shareholders' value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The amount of remuneration for all KMP for the Group, including all monetary and non-monetary components, is detailed in the remuneration report under the heading "Details of remuneration". All remuneration paid to executives is valued at the cost to the Group and expensed.

The Board expects that the remuneration structure implemented will result in the Group being able to attract and retain high-calibre executives to manage the Group and its business activities. It will also provide executives with the necessary incentives to work to achieve long-term shareholder value.

DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2014.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were the manufacture of home textile products including quilt, carpet, bed sets and mattresses.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated operating revenue of Kingform Health Hometextile Group Ltd (the "Group") increased by 9% to $6,512,453 for the financial year compared to $5,972,942 in the previous year.

The Group incurred a loss after income tax of $1,352,632 for the financial year, whereas the Group was in a profit after tax of $104,746 in the previous year.

Review of Operations

The Company's operations in the last year have primarily involved the production of household textiles including a wide range of quilts, cushions, bed covers, sewing materials and other textile products. Sales of these products were in line with expectations for the first half of the financial year; however sales from 1 January to 30 June 2014 were 27% lower than the corresponding period of the previous year. Total expenses also increased 10.64% (including an administration fee increase of 19.8% and an operational fee increase of 15%) during this period. These are the main factors which have contributed towards the significant loss incurred in the last year.

The internal procedures of the Company continue to be developed to ensure there is adequate governance and adherence to relevant rules and regulations. All employees are required to comply with these procedures and be conscious and responsible when dealing with the Company issues. These policies will be important in improving the efficiency of the management team and the overall stability of the Company.

The Company has assembled a high quality and technical management team and has implemented a fair and transparent staff rewards system. This incentive based program rewards employee performance and enhances the company's overall cohesion by cultivating a team environment.

The Company has identified the importance of training and has actively encouraged employee participation in internal training programs. In these more difficult operating conditions, the reputation of the company is a direct representation of employee dedication and spirit.

At the end of June 2014 the Company has retained Australian K-Mart and other stable customers. The Company has opened eight new brand shops in China, all of which are operating normally. However due to the economic conditions and competition in the market, business has decreased significantly for the period January to July 2014. This can be attributed towards sales income decreasing while the costs of inventory products increased. The economic downturn, shift of sales towards e-commerce from brand stores, cost of sales and expenses increasing dramatically have all contributed to the company losses incurred in the last year.

DIRECTORS' REPORT

Financial Position

The net assets of the Consolidated Group have decreased by $550,377 from the prior year to $9,241,045 in 2014.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

Events after the Reporting Period

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

Future Developments, Prospects and Business Strategies

The future plan of the Company is to continue development, look for new projects and discover potential growth opportunities.

The textile industry is still the Company's primary focus. With the Chinese market consisting of a population of 1.4 billion, consumption of textiles will increase as living standards increase. This is a very large market to be exposed to and the future prospects are bright. Considering the gap between domestic and foreign consumption and the developing trend of hometextile products, the industry has huge potential for development. As demand for textile products increases it will give rise to a variety of future opportunities.

In the coming year the Company will focus on existing customer service, maintenance of relationships and an increase in marketing with a core objective to develop high quality, long term and direct customers. Stores that do not meet the internal standards will be cleaned up and additional equipment renovation and renewal is also planned. We plan to increase work efficiency and product quality which will hopefully increase our market competitiveness.

In the next three years the Company will develop existing stores to become retail, display and experience areas, which will set a solid foundation to launch an online sales platform. The Company will make the most of potential opportunities to increase brand awareness and promote our products and business, while simultaneously stabilizing and expanding our existing sales network and distribution channels.

Environmental Issues

The Consolidated Group's operations are not regulated by any significant environmental regulations under the laws of the P.R. China.

DIRECTORS' REPORT

Information on the Directors

Xikang Jin	• Executive Director • Chief Executive Officer
Qualifications	• Bachelor of Management in Tongxiang Zhongyang Dang School
Experience	• More than twenty years' experience in the textile industry • Founder of Zhejiang Kangbao Hometextile Co. Ltd and is the president of Kangbao • Member of the China Hometextile Association, the China Textile Association, and a member of Tongxiang People's Congress • Patent inventor of "turned hand-free" silk manufacturing method
Interest in Shares and Options	• 39,780,525 ordinary shares in Kingform Health Hometextile Group Limited.
Special Responsibilities	• Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current year	• Nil
Xun Yang	• Independent Director
Qualifications	• Bachelor of Business (Accountancy) from RMIT
Experience	• Sales executive at Vinetex & Co Pty Ltd, an indent agent in Australia which represents Chinese textile exporters • Finance manager at Provincial Clothing Pty Ltd which is an importer and wholesaler of men's clothing • Owner and director of Advancetex Agencies which is a sourcing agent on behalf of a number of importing companies • Director of Madison Skye Pty Ltd which is an importer and wholesaler of menswear and work wear products
Interest in Shares and Options	• Nil
Special Responsibilities	• Member of Audit Committee • Member of Risk Committee • Member of Remuneration Committee • Member of Nomination Committee
Directorships held in other listed entities during the three years prior to the current year	• Nil

DIRECTORS' REPORT

Information on the Directors (continued)

Paul Desmond Nolan	• Independent Director
Qualifications	• Extensive textiles and retails trade experience
Experience	• Textiles Buying Consultant for the Reject Shop • National Sales and Marketing Manager of Smithtex Pty Ltd
Interest in Shares and Options	• Nil
Special Responsibilities	• Chairman of Audit Committee • Chairman of Risk Committee • Chairman of Remuneration Committee • Chairman of Nomination Committee
Directorships held in other listed entities during the three years prior to the current year	• Nil

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Xun Yang was appointed as company secretary on 5 September 2012.

Meetings of Directors

During the financial year, two meetings of directors (excluding committees of directors) were held. Attendances by each director at directors' meeting, audit and risk committee and remuneration and nominating committee meetings during the year were as follows:

	Directors' Meetings		Audit and Risk Committee		Remuneration & Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Xun Yang	2	2	1	1	1	1
Paul Desmond Nolan	2	1	1	1	1	1
Xikang Jin	2	2	1	1	1	1

Indemnifying Officers or Auditor

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

Options

At the date of this report, there are no unissued ordinary shares or interests under option of Kingform Health Hometextile Group Limited.

DIRECTORS' REPORT

Proceedings on Behalf of Company

No person has 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.

Non-audit Services

During the financial year, no non-audit services were paid or payable to the auditor, Hayes Knight Audit Pty Ltd.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on the Page 15 of the financial report.

REMUNERATION REPORT

Directors and Senior Management

The following persons were key management personnel ("KMP") of the Group during the financial year:

Xikang Jin	Chairman of the Board, Chief Executive Officer
Xun Yang	Independent director Company Secretary
Paul Desmond Nolan	Independent director

Engagement of Remuneration Consultants

During the financial year, the Group did not engage in any remuneration consulting service.

Principles used to determine the nature and amount of remuneration

The principle objectives of the Group's executive reward policies are to ensure reward for performance is competitive and appropriate for the results delivered. The policies seek to align reward with the achievement of strategic targets and the growth of shareholder value. The criteria being used include competitiveness, equitable to shareholders and employees, performance linkage, transparency and capital management. The policies provide for a mix of fixed and variable rewards, blended with long term incentives.

The Constitution of the Group provides that the Directors' remuneration must not exceed the maximum aggregate sum determined by the Group in a general meeting. At present that sum is fixed at a maximum of $30,000, in aggregate per annum. This maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting.

Payment of expenses and for extra services

All Directors of the Group are entitled to receive reimbursement of travel and other related expenses that they properly incur in attending Directors' meetings, attending any general meeting of the Company or in connection with the Group's business generally.

Any Director called upon to perform extra services or undertake any executive or other work for the Group beyond his or her general director's duties, may be remunerated either by a fixed sum or a salary as determined by the Board. This may be in addition to or in substitution for the Director's share in the usual remuneration provided.

REMUNERATION REPORT

Superannuation and other retirement contributions

To the extent the Group is required to make any superannuation and other retirement benefit contributions to any officers, the Group may pay the contributions of an amount necessary to meet the minimum level of superannuation and other retirement benefit contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

Terms of service

Each Director has entered into contracts for services with the Group dated 18 October 2011. The contract for services between the independent directors and the Group contain terms customary for such agreements.

The Independent Directors have the same responsibilities as other directors of the Company. Specific responsibilities of Independent Directors include review of business strategy, supervision of management, financial risk control and the determination of remuneration of other executive directors.

Details of remuneration

Details of the remuneration of each key management personnel in the Group are set out in the following tables.

2014	**Short-term Benefits**			**Post-employment Benefits**	**Long-term Benefits**	**Total**
Name	Salary, Fees and Leave **$**	Cash bonus **$**	Non-monetary benefits **$**	Super-annuation or retirement benefits **$**	Housing Fund, Medical, Unemployment Insurance **$**	**$**
Xikang Jin	16,730	12,409	-	861	2,354	32,354
Xun Yang	5,000	-	-	-	-	5,000
Paul Desmond Nolan	5,000	-	-	-	-	5,000
Total	26,730	12,409	-	861	2,354	42,354

2013	**Short-term Benefits**			**Post-employment Benefits**	**Long-term Benefits**	**Total**
Name	Salary, Fees and Leave **$**	Cash bonus **$**	Non-monetary benefits **$**	Super-annuation or retirement benefits **$**	Housing Fund, Medical, Unemployment Insurance **$**	**$**
Xikang Jin	12,742	-	-	2,500	148	15,390
Xun Yang	5,000	-	-	-	-	5,000
Paul Desmond Nolan	5,000	-	-	-	-	5,000
Total	22,742	-	-	2,500	148	25,390

Securities Received that Are Not Performance Related

No members of KMP are entitled to receive securities which are not performance-based as part of their remuneration package.

REMUNERATION REPORT

Cash Bonuses, Performance-related Bonuses and Share-based Payments

No options and performance-related bonuses granted as remuneration during the financial year.

Cash bonuses granted during the financial year was $12,409 (2013: nil).

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Xikang Jin

Director

24th April 2015

Hayes Knight Audit
chartered accountants · your partners in success

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Kingform Health Hometextile Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne

Richard S. Cen
Director

Dated this 24 day of April 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue	2	6,512,453	5,972,942
Cost of Sales		(6,372,459)	(4,491,068)
Gross Profit		139,994	1,481,874
Interest Income		2,652	53,062
Other Income	2	50,330	-
Administration Expenses		(598,960)	(749,685)
Sales Expenses		(487,473)	(385,703)
Other Expenses		(107,470)	-
Finance Expenses		(216,997)	(231,834)
Profit before Income Tax	3	(1,217,924)	167,714
Income Tax Expense	4	(134,708)	(62,968)
(Loss)/Profit for the Year		(1,352,632)	104,746
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss:			
Exchange Differences on Translating Foreign Operations		802,255	310,975
Other Comprehensive Income		802,255	310,975
Total Comprehensive (Loss)/Income for the year		(550,377)	415,721
Profit for the year attributable to :			
Owners of the Company		(1,352,632)	104,746
Non-Controlling Interest		-	-
Total Comprehensive Income attributable to:			
Owners of the Company		(550,377)	415,721
Non-Controlling Interest		-	-
Earnings Per Share:			
Basic Earnings per share(cents)	7	(1.73)	0.13
Diluted Earnings per share(cents)	7	(1.73)	0.13

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014	2013
		$	$
CURRENT ASSETS			
Cash and Cash Equivalents	8	343,334	868,903
Guarantee Deposit with Maturity over Three Months	9	272,817	-
Trade and Other Receivables	10	3,253,604	3,088,708
Inventories	11	2,824,920	3,230,846
Current Tax Asset	17	35,787	-
TOTAL CURRENTS ASSETS		**6,730,462**	**7,188,457**
NON-CURRENT ASSETS			
Property, Plant & Equipment	13	6,785,325	6,324,206
Intangible Assets	14	1,506,842	1,451,409
TOTAL NON-CURRENTS ASSETS		**8,292,167**	**7,775,615**
TOTAL ASSETS		**15,022,629**	**14,964,072**
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	15	2,038,831	1,064,186
Current Tax Liability	17	-	1,046
Borrowings	16	2,670,066	3,066,893
TOTAL CURRENT LIABILITIES		**4,708,897**	**4,132,125**
NON-CURRENT LIABILITIES			
Deferred Tax Liabilities	17	1,072,687	1,040,525
TOTAL NON-CURRENT LIABILITIES		**1,072,687**	**1,040,525**
TOTAL LIABILITIES		**5,781,584**	**5,172,650**
NET ASSETS		**9,241,045**	**9,791,422**
EQUITY			
Issued Capital	18	6,727,056	6,727,056
Reserves	24	3,787,994	2,985,739
Retained Earnings/(Accumulated losses)		(1,274,005)	78,627
TOTAL EQUITY		**9,241,045**	**9,791,422**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	**Accumulated Losses**	**Revaluation Surplus**	**Foreign Currency Translation reserve**	**Total**
Balance at 1 July 2012	6,727,056	(26,119)	2,558,383	116,381	9,375,701
	-	-	-	-	
Profit for the year	-	104,746	-	-	104,746
Other Comprehensive Income for the year	-	-	-	310,975	310,975
Total Comprehensive Income for year		104,746	-	310,975	415,721
Transactions with owners and other transfers	-	-	-	-	-
Balance at 30 June 2013	6,727,056	78,627	2,558,383	427,356	9,791,422
Loss for the year	-	(1,352,632)	-	-	(1,352,632)
Other Comprehensive Income for the year	-	-	-	802,255	802,255
Total Comprehensive Income for year		(1,352,632)	-	802,255	(550,377)
Transactions with owners and other transfers	-	-	-	-	-
Balance at 30 June 2014	6,727,056	(1,274,005)	2,558,383	1,229,611	9,241,045

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
Cash Flows from Operating Activities		**$**	**$**
Receipts from customers		5,788,171	5,711,831
Payment to suppliers and employees		(5,425,677)	(6,861,695)
Interest received		2,652	9,096
Interest paid		(206,284)	(231,834)
Income tax paid		(151,735)	(98,607)
Net cash provided by/(used in) operating activities	21	7,127	(1,471,209)
Cash Flows from Investing Activities			
Purchase of property , plant and equipment		(63,578)	(209,404)
Increase in guarantee deposits with maturity over three months		(280,758)	-
Repayments made by related parties		146,253	-
Net cash used in investing activities		(198,083)	(209,404)
Cash Flows from Financing Activities			
Proceeds from borrowings		2,747,788	3,066,893
Repayment of borrowings		(3,102,342)	(2,727,811)
Loans to related parties - payments made		-	(88,065)
Loans to related parties - proceeds from repayments		-	579,672
Loans from related party – proceeds from borrowings		-	983,158
Loans from related party – repayment of borrowings		-	(983,158)
Net cash provided by financing activities		(354,554)	830,689
Net (decrease)/increase in cash held		(545,510)	(849,924)
Cash and cash equivalents at beginning of financial year		868,903	1,636,601
Effect of exchange rate on cash holdings in foreign currencies		19,941	82,226
Cash and cash equivalents at end of financial year	8	343,334	868,903

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

These consolidated financial statements and notes represent those of Kingform Heath Hometextile Group Limited and Controlled Entities (the "consolidated group" or "group"). Kingform Health Hometextile Group Limited ("company" or "holding company") is an Australian public company, limited by shares, incorporated and domiciled in Australia.

The consolidated group includes:
Kingform Health Hometextile Group Limited (ACN 153 801 766);
Kingform Health Hometextile Pty Limited (ACN 151 709 027);
HongKong KangFeng Int'l Group Limited; and
Zhejiang Kangbao Household Textiles Limited Co. ("Kangbao")

Both Kingform Health Hometextile Group Limited (registered on 18 October 2011) and Kingform Health Hometextile Pty Limited (registered on 24 June 2011) have been formed specifically for the listing of the Company's securities on the Australian Stock Exchange, while HongKong KangFeng Int'l Group Limited is the entity that owns 100% of the shares in Kangbao.

Kangbao is the only trading entity of the consolidated group. The legal acquisition by Kingform Health Hometextile Group Limited of its legal subsidiaries was accounted for as a capital transaction of the legal acquiree. Accordingly, the consolidated financial statements of Kingform Health Hometextile Group Limited have been prepared as a continuation of the consolidated financial statements of Zhejiang Kangbao Household Textiles Limited Co.

The financial statements were authorised for issue on 24th April 2015 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements are general purpose financial statements that have been prepared in accordance the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the group comply with International Financial Reporting Standards ('IFRS').

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Kingform Heath Hometextile Group Limited at the end of the reporting period. A controlled entity is any entity over which Kingform Heath Hometextile Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

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

Property

Land use right and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for land use right and buildings.

In the periods when the land use right and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the land use right and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land use right and buildings are credited to a revaluation surplus in shareholder's equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Depreciation

The Board of Directors' reassessed the useful life of buildings in September 2011. This resulted in the useful life of buildings changing from 20 years to 40 years, effective from 1 July 2011.

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Land use rights and buildings	2% - 8.5%
Plant and equipment	9%
Electronic equipment & motor vehicles	18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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 equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments 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.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and subsequent measurement (Continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (Continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment of Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Assets (Continued)

Trademarks and Patent

Trademarks and patent are recognised at cost of acquisition. Trademarks can be renewed infinitely for minimal cost and are treated as having an indefinite life. Trademarks are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired. The patent has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. The patent is amortised over its useful life until the registration expires in 2019.

Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

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

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

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

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the Group's reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, and other short-term highly liquid investments with original maturities of three months or less.

Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

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

Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 40 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Value Added Tax (VAT) / Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of VAT/GST, except where the amount of VAT/GST incurred is not recoverable from the tax bureau.

Receivables and payables are stated inclusive of the amount of VAT/GST receivable or payable. The net amount of VAT/GST recoverable from, or payable to, the tax bureau is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT/GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the tax bureau are presented as operating cash flows included in receipts from customers or payments to suppliers.

Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Operating leases

Leases payments for operating leases, where substantially all the risks and benefits of the asset are retained by the lessor are recognised as expenses in the profit in which they are incurred, or on a straight line basis over the life of the lease where the lease contract includes fixed rate increases.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the cash generating unit is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Refer Note 14 for key estimates used in the assessment of intangible assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New and Revised Accounting Standards

New and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period have been adopted.

Accounting standards issued, not yet effective

The following new/amended accounting standards have been issued, but are not mandatory for financial year ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014. These standards are expected to impact the Group in the period of initial application. In all cases the Group intends to apply these standards from the mandatory application date as indicated in the table below.

Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the 31 December 2018 year end. The Group has not yet made an assessment of the Impact of these amendments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standards issued, not yet effective (Continued)
Standards likely to have a financial impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2013-9 (issued December 2013)	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Makes three amendments to AASB 9: •Adding the new hedge accounting requirements into AASB 9 •Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2018, and •Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements. Under the new hedge accounting requirements: •The 80-125% highly effective threshold has been removed •Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable •An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure •When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI •When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI •Net foreign exchange cash flow positions can qualify for hedge accounting.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the 31 December 2018 year end. The Group has not yet made an assessment of the impact of these amendments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standards issued, not yet effective (Continued)

Standards likely to have a disclosure impact only

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 15 (issued December 2014)	Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Must be applied for annual reporting periods beginning on or after 1 January 2017. Therefore application date for the company will be 30 June 2018.	Due to the recent release of this standard the company has not yet made an assessment of the impact of this standard.

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: REVENUE AND OTHER INCOME

a: Revenue and other income from continuing operations

	2014 $	2013 $
Operating activities		
Sales Revenues		
Sale of goods	6,512,453	5,972,942
Interest income	2,652	53,062
Government grants	5,815	-
Other	44,515	-
Total revenue and other income	6,565,435	6,026,004

NOTE 3: PROFIT FOR THE YEAR

Profit before income tax from continuing operations includes the following specific expenses:

	2014	2013
Salary and wages	820,496	576,011
Employee benefits expense:		
– contribution to defined contribution superannuation funds and other retirement benefits	26,616	24,985
– contributions to medical insurance	15,163	16,030
– contributions to housing fund	5,152	25,191
– contributions to unemployment insurance	3,510	3,435
-- contributions to work injury insurance	4,753	-
Depreciation	264,330	214,190
Amortisation	113,480	49,913
Foreign currency translation losses/ (gains)	63,495	(12,712)
Write-down of inventories to net realisable value	156,910	-

NOTE 4: INCOME TAX EXPENSE

The components of tax expense comprise:

		2014	2013
Current tax		7,553	(52,075)
Adjustments for previous years		75,796	-
Total current income tax expense		83,349	(52,075)
Deferred tax	17	51,359	115,043
		134,708	62 968

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

	Consolidated Group 2014 $	2013 $
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2013: 25%)		
– consolidated group	(304,481)	41,928
Add: non-deductable expenses	7,271	-
deferred tax assets not recognised	388,090	26,558
other	(31,968)	(5,518)
-- Over/under provision in prior years	75,796	
Income tax attributable to entity	134,708	62,968
The applicable weighted average effective tax rates are:	-11%	37%

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.
The totals of remuneration paid to KMP of the Group during the year are as follows:

Short-term employee benefits	41,493	22,742
Post-employment benefits	861	2,500
Other long-term benefits	-	148
Total KMP compensation	42,354	25,390

KMP Options and Rights Holdings

No options over ordinary shares held by KMP of the Group during the financial year.

KMP Shareholdings

The number of ordinary shares in Kingform Health Hometextile Group Limited held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Shares reduction	Other changes during the year	Shares issued in exchange for patent and trademarks	Initial Public Offering	Balance at End of Year
30 June 2014						
Xikang Jin	39,780,525	-	-	-	-	39,780,525
30 June 2013						
Xikang Jin	39,780,525	-	-	-	-	39,780,525

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Other KMP Transactions
There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP (including loans), refer to Note 20: Related Party Transactions.

NOTE 6: AUDITORS' REMUNERATION

	Consolidated Group 2014 $	2013 $
Remuneration of the auditor for:		
– auditing or reviewing the financial statements by current auditor	29,682	-
– auditing or reviewing the financial statements by previous auditor	-	45,000
– taxation services		-
Remuneration of other auditor for:		
– auditing or reviewing the financial statements	10,637	-
	40,319	45,000

The auditor of the Group is Hayes Knight Audit Pty Ltd (2013: Advantage Advisors Audit Pty Ltd).

NOTE 7: EARNINGS PER SHARE

a. Reconciliation of earnings to profit or loss:

(Loss)/Profit	(1,352,632)	104,746
Profit attributable to non-controlling equity interest	-	-
Redeemable and converting preference share dividends	-	-
(Loss)/Earnings used to calculate basic EPS	(1,352,632)	104,746
Dividends on converting preference shares		-
(Loss)/Earnings used in the calculation of dilutive EPS	(1,352,632)	104,746

	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	78,315,545	78,315,545
Weighted average number of dilutive options outstanding	-	-
Weighted average number of dilutive converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	78,315,545	78,315,545

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group 2014 $	2013 $
Cash on hand		81	724
Cash at bank		343,253	868,179
		343,334	868,903

The effective interest rate on short-term bank deposits was 0.03%-0.5% (2013: 0.73%).

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2014	2013
Cash on hand		343,334	724
Cash at bank	23	-	868,179
		343,334	868,903

NOTE 9: GUARANTEE DEPOSIT WITH MATURITY OVER THREE MONTHS

	2014	2013
Guarantee deposit with maturity over three months	272,817	-

As at 30 June 2014, there were current short-term deposits with maturity over three months of $272,817 that are pledged as collateral for bank acceptance notes, which bear floating interest rates of 0.35% and have a maturity of 6 months.

NOTE 10: TRADE AND OTHER RECEIVABLES

	2014	2013
CURRENT		
Trade receivables – related parties	-	175,944
Trade receivables – other persons	1,528,568	905,552
Payment in advance		-
Provision for impairment	-	(36,803)
	1,528,568	1,044,693
Other receivables	219,074	722,397
Prepayment	144,285	354,248
Amounts receivable from director	718,553	73,255
Amounts receivable from related parties	643,124	894,115
	1,725,036	2,044,015
Total current trade and other receivables	3,253,604	3,088,708

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 10: TRADE AND OTHER RECEIVABLES (CONTINUED)

a. Provision for Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

	Opening Balance	Addition/ (Reversal) of amounts provided	Net exchange differences on translation into a different presentation currency	Closing Balance
	$	$	$	$
	1 Jul 2013			30 Jun 2014
Consolidated Group				
Current trade receivables	36,803	(37,228)	425	-
	1 Jul 2012			30 Jun 2013
Consolidated Group				
Current trade receivables	32,734	4,069	-	36,803

b. Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned with Note 10. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

The following table details the Group’s trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as “past due” when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10: TRADE AND OTHER RECEIVABLES (CONTINUED)

b. Credit risk (Continued)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount $	Past Due and Impaired $	Past Due but Not Impaired (Days Overdue) < 30 $	31–60 $	61–90 $	> 90 $	Within Initial Trade Terms $
2014							
Trade receivables	1,528,568	-	103,256	7,897	-	-	1,417,415
Other receivables	1,580,751	-	-	-	-	643,124	937,627
Total	3,109,319	-	103,256	7,897	-	643,124	2,355,042
2013							
Trade receivables	1,044,693	36,803	-	-	-	-	1,007,890
Other receivables	1,689,765	-	-	-	-	807,101	882,664
Total	2,734,458	36,803	-	-	-	807,101	1,890,554

The Group does not hold any financial assets whose terms have been renegotiated and would otherwise be past due or impaired.

c. Collateral Held as Security

No collateral is held over trade and other receivables.

d. Financial Assets Classified as Loans and Receivables

	Note	Consolidated Group 2014 $	2013 $
Trade and other receivables:			
– total current		3,109,319	2,734,458
– total non-current		-	-
Less: VAT/GST refundable and others		(50,018)	(27,609)
	23	3,059,301	2,706,849

NOTE 11: INVENTORIES

	Note	Consolidated Group 2014 $	2013 $
CURRENT			
Raw materials and stores		472,036	2,174,212
Finished goods		2,352,884	1,056,634
		2,824,920	3,230,846

Write-downs of inventories to net realisable value during the current financial year amounted to $152,472 (2013: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: CONTROLLED ENTITIES

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2014	**2013**
Subsidiaries of Kingform Health Hometextile Group Ltd:			
Kingform Health Hometextile Pty Ltd	Australia	100	100
HongKong KangFeng Int'l Group Ltd	Hong Kong	100	100
Zhejiang Kangbao Household Textiles Ltd Co.	P.R. China	100	100

** Percentage of voting power is in proportion to ownership*

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS			
Land use right and buildings at:			
Independent valuation 2012	a(i)	6,827,337	6,172,631
At cost		-	-
Accumulated depreciation		(449,628)	(302,456)
Total land and buildings		6,377,709	5,870,175
PLANT AND EQUIPMENT			
Plant and equipment:			
At cost		532,151	482,530
Accumulated depreciation		(284,485)	(188,113)
		247,666	294,417
Electronic equipment			
At cost		324,928	299,419
Accumulated depreciation		(164,978)	(139,805)
		159,950	159,614
Total plant and equipment		407,616	454,031
Total property, plant and equipment		6,785,325	6,324,206

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a. **Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land Use Right and Buildings $	Plant and Equipment $	Electronic Equipment and Motor Vehicles $	Total $
Consolidated Group:				
Balance at 1 July 2012	6,040,768	219,244	89,061	6,349,073
Reclassification	-	(11,131)	11,131	-
Additions	-	120,286	89,118	209,404
Disposals	-	-	(2,433)	(2,433)
Depreciation expense	(154,201)	(33,962)	(26,027)	(214,190)
Net exchange differences on translation into a different presentation currency	(16,392)	(20)	(1,236)	(17,648)
Balance at 30 June 2013	5,870,175	294,417	159,614	6,324,206
Reclassification				
Additions	-	28,789	41,701	70,490
Disposals	-	-	(2,285)	(2,285)
Depreciation expense	(156,765)	(71,295)	(36,270)	(264,330)
Net exchange differences on translation into a different presentation currency	664,299	(4,245)	(2,810)	657,244
Balance at 30 June 2014	6,377,709	247,666	159,950	6,785,325

(i) The Group's land use right and buildings were revalued at 30 June 2011 by Shanghai Zhonghua Assets Appraisal Co., Ltd, an independent valuer registered in China. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to a revaluation surplus in shareholder's equity.

NOTE 14: INTANGIBLE ASSETS

Trademarks and Patent		
Cost	1,722,623	1,558,750
Accumulated amortisation and impairment losses	(215,781)	(107,341)
Net carrying amount	1,506,842	1,451,409
Software		
Cost	-	-
Accumulated amortisation and impairment losses	-	-
Net carrying amount	-	-
Total intangibles	1,506,842	1,451,409

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: INTANGIBLE ASSETS (CONTINUED)

a. Movements in Carrying Amounts

	Trademarks & patent $	Software $
Consolidated Group:		
Year ended 30 June 2013		
Balance at the beginning of the year	1,501,322	2,328
Additions	-	-
Amortisation and impairment charge for the year	(49,913)	
Written off for the year	-	(2,328)
Closing value at 30 June 2013	1,451,409	-
Year ended 30 June 2014		
Balance at the beginning of the year	1,451,409	-
Amortisation and impairment charge for the year	(113,480)	-
Net exchange differences on translation into a different presentation currency	168,913	-
Closing value at 30 June 2014	1,506,842	-

Intangible assets, other than trademarks, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss and other comprehensive income. Trademarks have an indefinite useful life.

On 31 August 2011, Kangbao acquired a patent (registration No. 9913948.8) from its director. The cost of RMB 3,500,000 was based on the market value of the patent on that day. The market value of the patent was valued by Shanghai Zhonghua Assets Appraisal Co., Ltd, an independent valuer registered in China.

On 31 August 2011, Kangbao acquired two trademarks, Kangfeng (registered No. 767825) and Fengkang (registration No. 767826) from Tongxiang Kangkang Quilt and Clothing Factory controlled by Kangbao's director. The cost of RMB 6,500,000 was based on the market value of the trademarks on that day. The market value of the trademarks was valued by Shanghai Zhonghua Assets Appraisal Co., Ltd, an independent valuer registered in China.

The cost of the acquisition of the patent and trademarks was settled by the issue of 7,633,005 shares to the director on 2 April 2012.

Impairment Disclosures
Intangible assets have been allocated to the manufacturing segment's cash generating unit (CGU) for impairment testing. The recoverable amount of the CGU is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period adjusted for the estimated terminal value of the cash generating unit. The cash flows are discounted using a rate reflecting the Group's weighted average cost of capital plus an appropriate margin for risk factors at the beginning of the budget period. All discount rates are pre-tax.

Budgets using a weighted average growth rate to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with the inflation rate applicable to the location in which the business operates.

The following assumptions were used in the value-in-use calculations:

Growth Rate	5%
Discount Rate	25%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: TRADE AND OTHER PAYABLES

	Note	Consolidated Group 2014 $	2013 $
CURRENT			
Unsecured liabilities:			
Trade payables		528,187	399,802
Bills payables		545,062	277,688
Receipt in advance		605,850	162,826
Other payables		122,010	223,870
Amount payable to related party		237,722	
	15a	2,038,831	1,064,186

	Note	Consolidated Group 2014 $	2013 $
a. **Financial liabilities at amortised cost classified as trade and other payables**			
Trade and other payables:			
– total current		1,195,259	1,064,186
– total non-current		-	-
Financial liabilities as trade and other payables	23	1,195,259	1,064,186

NOTE 16: BORROWINGS

	Note	Consolidated Group 2014 $	2013 $
CURRENT			
Secured liabilities:			
Bank loans	16a, 23	2,670,066	3,066,893

		2014	2013
a. The carrying amounts of non-current assets pledged as security are:			
First mortgage:			
– Property		6,377,709	5,870,175
-- Plant and Equipment		247,666	-
– Electronic Equipment and Motor Vehicles		159,950	-
		6,785,325	-

NOTE 17: TAX

		2014	2013
CURRENT			
Income tax payable		(35,787)	1,046

The tax rate applicable to 2014 is 25% (2013: 25%). The statutory tax rate is 25%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: TAX (CONTINUED)

Deferred tax assets / (liabilities)	Opening Balance $	Charged to Income $	Exchange Differences $	Closing Balance $
Consolidated Group				
Future income tax benefits attributable to tax losses	(15,008)	-	-	(15,008)
Net gain on revaluation of land use rights and buildings	(910,474)	-	(115,043)	(1,025,517)
Balance at 30 June 2013	(925,482)	-	(115,043)	(1,040,525)
Future income tax benefits attributable to tax losses	(15,008)	17,069	(2,061)	-
Net gain on revaluation of land use rights and buildings	(1,025,517)	-	19,323	(1,006,194)
Depreciation	-	(3,011)	85	(2,926)
Amortisation	-	(104,645)	2,960	(101,685)
Inventory	-	39,228	(1,110)	38,118
Balance at 30 June 2014	(1,040,525)	(51,359)	19,197	(1,072,687)

	Consolidated Group 2014 $	2013 $
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:	1,552,359	216,415

NOTE 18: ISSUED CAPITAL

	Consolidated Group 2014 $	2013 $
78,315,545 (2013: 78,315,545) fully paid ordinary shares	6,727,056	6,727,056
	6,727,056	6,727,056

The company has authorised share capital amounting to 78,315,545 ordinary shares.

a. **Ordinary Shares**	**No.**	**No.**
At the beginning of the reporting period:	78,315,545	78,315,545
At the end of the reporting period	78,315,545	78,315,545

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 18: ISSUED CAPITAL (CONTINUED)

b. Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratios for the years ended 30 June 2014 and 30 June 2013 are as follows:

		Consolidated Group	
		2014	2013
		$	$
Total borrowings	16	2,670,066	3,066,893
Trade and other payables	15	1,195,259	1,064,186
Less cash and cash equivalents	8	(343,334)	(868,903)
Less guarantee deposit with maturity over three months	9	(272,817)	-
Net debt		3,249,174	3,262,176
Total equity		9,241,045	9,791,422
Total capital		12,490,219	13,053,598
Gearing ratio		26%	25%

NOTE 19: OPERATING SEGMENTS

The consolidated group operates in one business and geographical segment, manufacture of hometextile products in China.

NOTE 20: RELATED PARTY TRANSACTIONS

a. The Group's main related parties are as follows:

i. Entities exercising control over the Group:

The ultimate parent entity that exercises control over the Group is Kingform Heath Hometextile Group Limited, which is incorporated in Australia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)

ii. Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Compensation.

iii. Entities subject to significant influence by the Group:

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

iv. Other related parties:

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b. Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated Group	
	2014	**2013**
	$	**$**
ii. Other related parties:		
Sale of goods and services		
– Sales to Geelong Home Textiles Pty Ltd, a company controlled by Paul Desmond Nolan, a director	-	121,840

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)

c. Amount outstanding from related parties:

Trade and other receivables:

Unsecured loans are made to the ultimate parent entity, subsidiaries, directors and other related parties on an arm's length basis. Repayments are expected within 12 months. Intragroup loans, loans to directors and other related parties are interest free (2013: 6%).

	Consolidated Group	
	2014	**2013**
	$	**$**
i. *Loans to key management personnel:*		
- Jin Xikang, director		
Beginning of the year	73,255	557,220
Loans advanced	733,002	73,255
Loans repayment received	(74,102)	(544,763)
Net exchange differences on translation into a different presentation currency	(13,602)	(12,457)
End of the year	718,553	73,255

No formal loan agreements are in place.

On 30 November 2012, Mr Xikang Jin deposited RMB 3,574,788.35 (equivalent to $ 544,763 at the date of exchange at 30 November 2012) to Kangbao's bank account to repay his loan.

In June 2013, a further amount of RMB 418,000 equating to $73,255 was borrowed by Mr Xikang Jin.

In FY2014 Mr Xikang Jin returned RMB 418,000, equating to $99,275, to the Group. During FY2014, Mr Jin borrowed a total amount of RMB 4,134,789 (equivalent to $733,002) from the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)

c. Amount outstanding from related parties: (Continued)

	2014 $	2013 $
ii. *Trade receivable from other related parties outstanding at year end date:*		
Geelong Home Textiles Pty Ltd, a company controlled by Paul Desmond Nolan, a director	-	175,944
iii. *Loans to/(from) KMP and other related parties:*		
– *Pan Jianwen*		
Beginning of the year	-	2,857
Loans from related party	(1,043,273)	(983,158)
Repayment to related party	798,631	983,158
Loans repayment received	-	(2,857)
Net exchange differences on translation into a different presentation currency	6,920	-
End of the year	(237,722)	-
– *Tongxiang Kangkang Household Textiles Co., Ltd*		
Beginning of the year	340,301	309,277
Loans advanced	1,773	14,810
Loans repayment received	(42,793)	(32,052)
Interest charged	-	15,905
Net exchange differences on translation into a different presentation currency	(4,644)	32,361
End of the year	294,637	340,301
– *Pan Jianxing*		
Beginning of the year	553,814	511,307
Loans advanced	4,077	-
Loans repayment received	(258,867)	-
Interest charged	-	28,061
Net exchange differences on translation into a different presentation currency	49,463	14,446
End of the year	348,487	553,814

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: CASH FLOW INFORMATION

	2014 $	2013 $
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	(1,352,632)	104,746
Non-cash flows in profit:		
– amortisation	113,480	49,913
– depreciation	264,330	183,955
– gain on sale of fixed assets	2,285	2,433
– Interest income from related party loans	-	(53,062)
– foreign currency translation movement	(2,282)	1,438
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– increase in trade and term receivables	(399,015)	152,180
– increase in inventories	361,039	(2,144,324)
– decrease in trade payables and other payables	1,036,948	152,108
– increase in current tax liabilities	(68,386)	(35,639)
– increase in deferred tax liabilities	51,360	115,043
Cash flow from operations	7,127	(1,471,209)

NOTE 22: EVENTS AFTER THE REPORTING PERIOD

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

NOTE 23: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and bank loans.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2014 **$**	**2013** **$**
Financial assets			
Cash and cash equivalents	8	343,334	868,903
Guarantee deposit with maturity over three months	9	272,817	-
Trade and other receivables	10	3,059,301	2,706,849
Total financial assets		3,675,452	3,575,752
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	15	1,195,259	1,064,186
– borrowings	16	2,670,066	3,066,893
Total financial liabilities		3,865,325	4,131,079

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for the Group operations. The Group does not have any derivative instruments at 30 June 2014.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.
Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness.
Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties except for the loans to the director and other related parties. Details with respect to credit risk of trade and other receivables are provided in Note 10.
Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk related to balances with banks and other financial institutions is managed by the directors. The following table provides information regarding the credit risk relating to cash and money market securities based on counterparty credit ratings.

	Note	Consolidated Group 2014	2013
Cash in bank:			
– AAA rated		616,151	868,179
	8	616,151	868,179

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year 2014 $	2013 $	1 to 5 Years 2014 $	2013 $	Over 5 Years 2014 $	2013 $	Total 2014 $	2013 $
Financial liabilities due for payment								
Bank loans	2,768,767	3,066,893	-	-	-	-	2,768,767	3,066,893
Trade and other payables	1,195,259	1,064,186	-	-	-	-	1,195,259	1,064,186
Total expected outflows	3,964,026	4,131,079	-	-	-	-	3,964,026	4,131,079

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Market risk

i. *Interest rate risk*
Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Sensitivity analysis
The following table illustrates sensitivities to the Group's exposures to changes in interest. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit	**Equity**
Year ended 30 June 2014	**$**	**$**
+/-1% in interest rates	+/- 2,574	-
Year ended 30 June 2013		
+/-1% in interest rates	-/+ 21,987	-

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values
The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (ie term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)

FAIR VALUES (CONTINUED)

Consolidated Group	Note	2014 Carrying Amount $	2014 Fair Value $	2013 Carrying Amount $	2013 Fair Value $
Financial assets					
Cash and cash equivalents	(i)	343,334	343,334	868,903	868,903
Guarantee deposit with maturity over three months		272,817	272,817		
Trade and other receivables	(i)	3,059,301	3,059,301	2,706,849	2,706,849
Total financial assets		3,675,452	3,675,452	3,575,752	3,575,752
Financial liabilities					
Trade and other payables	(i)	1,195,259	1,195,259	1,044,187	1,044,187
Bank loans	(i)	2,670,066	2,670,066	3,066,893	3,066,893
Total financial liabilities		3,865,325	3,865,325	4,111,080	4,111,080

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

(ii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying amounts largely represent movements in the effective interest rate determined on initial recognition and current market rates.

NOTE 24: RESERVES

a. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation into a different presentation currency.

b. Revaluation Surplus

The revaluation surplus records revaluations of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: PARENT INFORMATION

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

	2014 $	2013 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	2,130,482	2,407,074
Non-current assets	7,458,008	12,858,008
TOTAL ASSETS	9,588,490	15,265,052
LIABILITIES		
Current liabilities	649,724	577,739
TOTAL LIABILITIES	649,724	577,739
EQUITY		
Issued capital	14,729,567	14,729,567
Accumulated losses	(5,790,801)	(42,224)
TOTAL EQUITY	8,938,766	14,687,343
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total losses	(5,574,385)	(106,235)
Total comprehensive losses	(5,574,385)	(106,235)

Included in the loss of the year is an impairment of $5,400,000 related to the parent entity's investment in the subsidiary.

NOTE 26: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2014 (30 June 2013: nil).

NOTE 27: COMPANY DETAILS

The registered office of the company is:
Kingform Heath Hometextile Group Limited
C/- AFS Capital Securities Ltd
Level 8 , 303 Collins Street
Melbourne, Victoria Australia

The principal place of business is:
Zhejiang Kangbao Household Textiles Limited Co.
180 Guang'An Road
3rd Part Economic Development Zone
Tong Xiang, Zhejiang, P.R.China

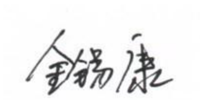
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Kingform Health Hometextile Group Limited, the directors of the Group declare that:

1. the financial statements and notes, as set out on pages 16 to 53, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Xikang Jin

Director

24th April 2015

Hayes Knight Audit
chartered accountants · your partners in success

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Registered Audit Company 291969

Independent Auditor's Report to the Members of Kingform Health Hometextile Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Kingform Health Hometextile Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Kingform Health Hometextile Group Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

Opinion

In our opinion, the Remuneration Report of Kingform Health Hometextile Group Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

Other Matter

The financial report of Kingform Health Hometextile Group Limited for the year ended 30 June 2013 was audited by another auditor who expressed an unmodified opinion on the financial report on.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne

Richard S. Cen
Director

Dated this 24 day of April 2015

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 31 March 2015:

1. **Shareholding**

a. **Distribution of Top holders**

	Securities	%
Top 20 holders	76,527,145	97.72
Balance of register	1,788,400	2.28
	78,315,545	**100.00**

b. **Distribution of CHESS/Issuer**

	Securities	%	No. of Holders	%
CHESS	5,451,900	6.96	65	38.92
Issuer	72,863,645	93.04	102	61.08
	78,315,545	**100.00**	167	**100.00**

c. **Distribution of Total Holding**

	Securities	%	No. of Holders	%
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	960,000	1.23	96	57.49
10,001 – 100,000	2,299,400	2.94	47	28.14
100,001 and over	75,056,145	95.84	24	14.37
	78,315,545	**100.00**	**167**	**100.00**

d. None of the shareholdings held in less than marketable parcels.

e. The names of the substantial shareholders listed in the holding company's register are:

	Number	
Shareholder:	**Ordinary**	**Preference**
MR XIKANG JIN	39,780,525	Nil
MS JIANWEN PAN	12,859,008	Nil
MS LINGYAN JIN	5,465,078	Nil
MR NAN CHEN	3,214,752	Nil
WISDOMORE LIMITED	3,214,752	Nil

f. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

– These shares have no voting rights.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1. **Shareholding (continued)**

g. 20 Largest Shareholders – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	MR XIKANG JIN	39,780,525	50.80%
2	MS JIANWEN PAN	12,859,008	16.42%
3	MS LINGYAN JIN	5,465,078	6.98%
4	MR NAN CHEN	3,214,752	4.10%
4	WISDOMORE LIMITED	3,214,752	4.10%
5	XIAOMIN ZHU	1,607,376	2.05%
5	MR CHENGWEI WU	1,607,376	2.05%
6	MR FENGXIANG WU	1,537,476	1.96%
7	MR HUALONG ZHANG	1,285,901	1.64%
8	MR FUCHANG CAO	1,263,901	1.61%
9	MS LINGYAN JIN	700,000	0.89%
10	MR HONGBEN TANG	390,000	0.50%
11	MS XUEFEN XU	220,000	0.28%
12	MR WEIHUA QIAN	210,000	0.27%
13	MR LIXIN TONG	190,000	0.24%
13	MR RULIU CHEN	190,000	0.24%
13	MR GUOQIANG XU	190,000	0.24%
13	MR JINGPU LI	190,000	0.24%
13	MS LAN JIN	190,000	0.24%
13	MS CHEN LI	190,000	0.24%
13	MS WEIPING ZHU	190,000	0.24%
14	MR LIN XIONG	140,000	0.18%
15	MR JIANXING PAN	120,000	0.15%
16	MR XIKANG JIN	110,000	0.14%
17	MR XIQUAN JIN	100,000	0.13%
17	MR ZHIBAO XIONG	100,000	0.13%
17	MS XIUYING WANG	100,000	0.13%
18	MS JUFEN JIANG	90,000	0.11%
18	MS ZHONGJUAN DING	90,000	0.11%
18	MS ZHIYU XU	90,000	0.11%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1. **Shareholding (continued)**

g. **20 Largest Shareholders – Ordinary Shares (continued)**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
18	MR ZHEYU WEI	90,000	0.11%
18	MR ZEYUAN FENG	90,000	0.11%
18	MR XIUZHONG QIU	90,000	0.11%
18	MR XIAOFENG JIN	90,000	0.11%
18	MR SHIRONG DENG	90,000	0.11%
18	MR LING ZHUGE	90,000	0.11%
18	MR JIANXIN MO	90,000	0.11%
18	MR BIN HE	90,000	0.11%
19	MR FENGXIANG WU	61,000	0.08%
20	MR JINFA GUO	60,000	0.08%
20	MR ZHENHUA GUO	60,000	0.08%
		74,686,145	97.72%

2. The name of the company secretary is Mr Xun Yang.

3. The address of the principal registered office in Australia is
C/- AFS Capital Securities Ltd
Level 8 , 303 Collins Street
Melbourne, Victoria Australia

4. **Share Registry**
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**
The Group has no issued converting preference shares and options.