

Kingform Health Hometextile Group Limited

ACN 153 801 766

Financial Report for the Half Year Ended 31 December 2012

Kingform Health Hometextile Group Limited

ACN 153 801 766

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half-year:

Xikang Jin
Xun Yang
Paul Desmond Nolan

Principal Activities

The principal activities of the consolidated group during the financial half 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 half-year period.

Review of Operations

The profit of the consolidated group for the half-year after providing for income tax amounted to \$53,510. The total comprehensive loss of the consolidated group for the half year amounted to \$117,705.

During the latest half-year, the group has focused on keeping existing customers and developing new customers, such as the K-mart, which is one of the largest dealers in Australia. The group has also concentrated on developing its own brand. During the half year period to 31 December 2012, the group has built twelve brand stores and laid the foundations for its future.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated group during the financial half-year period.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 3.

The report is signed in accordance with a resolution of the Board of Directors.



Director

Xikang Jin

Dated this 4th day of March 2013



**Bentleys Melbourne
Audit Pty Ltd**
Audit & Assurance Services

Level 7, 114 William Street
Melbourne Vic 3000
Australia

GPO Box 2266
Melbourne Vic 3001
Australia

ABN 96 132 300 693

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF KINGFORM HEALTH HOME TEXTILE GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2012, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

**BENTLEYS MELBOURNE AUDIT PTY LTD
CHARTERED ACCOUNTANTS**

**JAMES RIDLEY
DIRECTOR**

Dated in Melbourne on this 4th day of March 2013

Kingform Health Hometextile Group Limited

ACN 153 801 766

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated Group 31.12.2012 \$	Consolidated Group 31.12.2011 \$
Revenue		2,857,670	2,097,658
Cost of sales		(2,270,539)	(1,247,589)
Gross profit		587,131	850,069
Other revenue		44,410	475,362
Sales expenses		(197,629)	(137,248)
Administration expenses		(191,315)	(141,646)
Finance costs		(133,401)	(103,067)
Profit before income tax		109,196	943,470
Income tax expense		(55,686)	(141,223)
Profit for the period	2	53,510	802,247
Other comprehensive (loss) / income:			
Net exchange differences on translation into a different presentation currency		(171,215)	586,050
Other comprehensive (loss) / income for the period, net of tax		(171,215)	586,050
Total comprehensive (loss) / income for the period		(117,705)	1,388,297
Profit attributable to member of the entity		53,510	802,247
Total comprehensive (loss) / income attributable to member of the entity		(117,705)	1,388,297
Earnings per share from continuing operations attributable to the owners of Kingform Health Hometextile Group Limited			
Basic earnings per share (cents)	4	0.06	1.08
Diluted earnings per share (cents)	4	0.06	1.08

The accompanying notes form part of these financial statements.

Kingform Health Hometextile Group Limited

ACN 153 801 766

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Consolidated Group 31.12.2012 \$	Consolidated Group 30.6.2011 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		935,945	1,636,601
Trade and other receivables		2,551,824	3,240,888
Inventories		1,873,190	1,086,522
TOTAL CURRENT ASSETS		5,360,959	5,964,011
NON-CURRENT ASSETS			
Trade and other receivables		117,034	-
Property, plant and equipment		6,158,746	6,349,073
Intangible assets		1,503,650	1,503,650
TOTAL NON-CURRENT ASSETS		7,779,430	7,852,723
TOTAL ASSETS		13,140,389	13,816,734
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		211,556	751,055
Borrowings		2,705,335	2,727,811
Current tax liabilities		47,646	36,685
TOTAL CURRENT LIABILITIES		2,964,537	3,515,551
NON-CURRENT LIABILITIES			
Deferred tax liabilities		917,856	925,482
TOTAL NON-CURRENT LIABILITIES		917,856	925,482
TOTAL LIABILITIES		3,882,393	4,441,033
NET ASSETS		9,257,996	9,375,701
EQUITY			
Registered capital	3	6,727,056	6,727,056
Reserves		2,503,549	2,674,764
Retained earnings / (accumulated losses)		27,391	(26,119)
TOTAL EQUITY		9,257,996	9,375,701

The accompanying notes form part of these financial statements.

Kingform Health Hometextile Group Limited

ACN 153 801 766

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Consolidated Group

	Registered Capital	Retained Earnings / (Accumulated Losses)	Revaluation Surplus	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2011	6,617,146	(546,895)	2,558,383	(525,425)	8,103,209
Comprehensive income					
Profit attributable to member of the entity	-	802,247	-	-	802,247
Other comprehensive loss for the period	-	-	-	586,050	586,050
Total comprehensive income / (loss) for the period	-	802,247	-	586,050	1,388,297
Transactions with owners, in their capacity as owners and other transfers					
Capital reduction	(1,761,648)	-	-	-	(1,761,648)
Total transactions with owners and other transfers	(1,761,648)	-	-	-	(1,761,648)
Balance at 31 December 2011	4,855,498	255,352	2,558,383	60,625	7,729,858
Balance at 1 July 2012	6,727,056	(26,119)	2,558,383	116,381	9,375,701
Comprehensive income					
Profit attributable to member of the entity	-	53,510	-	-	53,510
Other comprehensive income for the period	-	-	-	(171,215)	(171,215)
Total comprehensive (loss)/income for the period	-	53,510	-	(171,215)	(117,705)
Transactions with owners, in their capacity as owners and other transfers					
Capital reduction	-	-	-	-	-
Total transactions with owners and other transfers	-	-	-	-	-
Balance at 31 December 2012	6,727,056	27,391	2,558,383	(54,834)	9,257,996

The accompanying notes form part of these financial statements.

Kingform Health Hometextile Group Limited

ACN 153 801 766

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated Group 31.12.2012 \$	Consolidated Group 31.12.2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,356,166	1,728,528
Payments to suppliers and employees	(3,470,704)	(2,218,911)
Grants received	13,252	475,362
Finance costs	(133,401)	(103,067)
Interest received	31,158	-
Income tax paid	(36,685)	(55,237)
Net cash used in operating activities	<u>(240,214)</u>	<u>(173,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(449,805)	(59,590)
Net cash used in investing activities	<u>(449,805)</u>	<u>(59,590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital reduction	-	(1,761,648)
Loans to related parties – payments made	-	1,575,374
Net cash used in financing activities	<u>-</u>	<u>(186,274)</u>
Net increase / (decrease) in cash held	(690,019)	(419,189)
Cash and cash equivalents at beginning of period	1,636,601	662,269
Net exchange differences on translation into a different presentation currency	(10,637)	170,490
Cash and cash equivalents at end of period	<u>935,945</u>	<u>413,570</u>

The accompanying notes form part of these financial statements.

Kingform Health Hometextile Group Limited

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 Financial Report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

Critical accounting estimates and judgements

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2012 annual report.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and which are effective for the current reporting period. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

Kingform Health Hometextile Group Limited

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 2: PROFIT FOR THE PERIOD

	Consolidated Group	Consolidated Group
	31.12.2012	31.12.2011
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Sales revenue:		
- sale of goods	2,857,670	2,097,658
Other revenue:		
- Government grants	13,252	475,362
- Interest income	31,158	-

NOTE 3: REGISTERED CAPITAL

	Consolidated Group	Consolidated Group
	31.12.2012	31.6.2011
	\$	\$
Registered capital	6,727,056	6,727,056

NOTE 4: EARNINGS PER SHARE

	Consolidated Group	Consolidated Group
	31.12.2012	31.12.2011
	\$	\$
Earnings per share from continuing operations		
Profit after income tax attributable to owners of Kingform Health Hometextile Group Limited	53,510	802,247
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	78,315,545	74,167,057
Weighted average number of ordinary shares used in calculating diluted earnings per share	78,315,545	74,167,057

Kingform Health Hometextile Group Limited

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: EARNINGS PER SHARE (CONTINUED)

	Consolidated Group	Consolidated Group
	31.12.2012	31.12.2011
	cents	cents
Basic earnings per share	0.06	1.08
Diluted earnings per share	0.06	1.08

NOTE 5: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The consolidated group has no material contingent liability.

NOTE 6: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the reporting period which have 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 subsequent financial periods.

NOTE 7: SEGMENT INFORMATION

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

Kingform Health Hometextile Group Limited

ACN 153 801 766

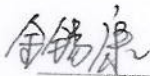
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 4 to 10, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



Xikang Jin

Dated this 4th day of March 2013



Bentleys Melbourne
Audit Pty Ltd
Audit & Assurance Services

Level 7, 114 William Street
Melbourne Vic 3000
Australia

GPO Box 2266
Melbourne Vic 3001
Australia

ABN 96 132 300 693

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KINGFORM HEALTH HOMETEXTILE GROUP LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kingform Health Hometextile Group Ltd, which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kingform Health Hometextile Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership.
Liability limited by a scheme approved under Professional Standards Legislation



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF KINGFORM HEALTH HOMETEXTILE GROUP LIMITED (Continued)**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kingform Health Hometextile Group Ltd on 4th March 2013, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

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



**BENTLEYS MELBOURNE AUDIT PTY LTD
CHARTERED ACCOUNTANTS**



**JAMES RIDLEY
DIRECTOR**

Dated in Melbourne on this 4th day of March 2013