

**KINGFORM HEALTH HOMETEXTILE GROUP LIMITED
AND ITS CONTROLLED ENTITIES
ACN 153 801 766**

**HALF-YEAR REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2014**

Content

- **Appendix 4 D**
- **Consolidated Financial Statements**

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

– Half Year Report

Appendix 4D

Half Year Report Given to the ASX under Listing Rule 4.2A

Name of entity

KINGFORM HEALTH HOMETEXTILE GROUP LIMITED

ABN

ABN 89 153 801 766

Reporting period

Half Year ended 31 December 2014

Previous corresponding period

Half Year ended 31 December 2013

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

1. Results for Announcement to the Market

Revenue from continuing operations	Down	50%	to	\$2,319,312
Loss from ordinary operations after income tax attributable to members	Down	5050%	to	\$4,567,858
Net loss for the period attributable to members	Down	5050%	to	\$4,567,858
Net tangible asset value per share	As at 31 December 2014			\$0.074
	As at 30 June 2014			\$0.099

2. Review of Operations

A review of operations is included in the Directors' Report.

3. Details of Controlled Entities

No gain or loss of control of other entities occurred in the period.

4. Details of Associates and Joint Venture Entities

The Consolidated Group has no associates or joint venture entities.

5. Dividends

No dividend was paid or proposed for the half year ended 31 December 2014.

6. Audit Disputes or Qualifications

There are no audit disputes or qualifications.

7. Accounting Standards

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

**KINGFORM HEALTH HOMETEXTILE GROUP LIMITED
AND ITS CONTROLLED ENTITIES
ACN 153 801 766**

**Consolidated Financial Statements
For the Half Year Ended 31 December 2014**

Kingform Health Hometextile Group Limited and its Controlled Entities
ACN 153 801 766

Contents	Page
Directors' Report	6
Auditor's independence declaration	7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Declaration by Directors	16
Independent Auditor's Review Report	17

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2014.

Directors

The names of directors who held office of Kingform Health Hometextile Group Limited during or since the end of the half-year:

Xikang Jin
Xun Yang
Paul Desmond Nolan

Review of Operations

The operating loss of Kingform Health Hometextile Group Ltd and its Controlled Entities ('the Group') after providing for income tax amounted to \$4,567,858. Total other comprehensive income for the half year amounted to a loss of \$3,460,875. This was mainly caused by the foreign exchange gain on translation resulting from the moderate depreciation of Australian Dollar, being the reporting currency of the Group.

During the period, the growing domestic labour cost and price of raw materials have negatively affected the Group's profitability. In response to these increased costs, the management are reviewing and improving existing manufacturing processes and procedures.

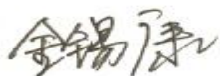
The public listing has proven beneficial to the Group in terms of enhanced brand awareness and sales volume. The Group continues to build strong relationship with its key export customers, such as K-mart Australia. The management look forward to further capitalising on the strengthened brand awareness and delivering long-term value to its shareholders.

Subsequent to period-end the Company has gradually closed down its domestic retail stores and focus on the overseas sales and have developed a number of new customers in Europe and Australia which contributed additional sales in 2016 & 2017. The inventory levels have also reduced as a result of this. At the end of April 2017 the Company's cash balance was improved to approximate \$ 650k. In addition, the Company successfully refinanced its existing borrowing facilities with new repayment date now being between June 2017 and May 2018.

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 7.

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



Director

Xikang Jin

Dated this 31st May 2017



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**DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF KINGFORM HEALTH
HOMETEXTILE GROUP LIMITED**

As lead auditor for the review of Kingform Health Hometextile Group Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Kingform Health Hometextile Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Wayne Basford', with a long horizontal flourish extending to the right.

Wayne Basford

Director

BDO Audit (WA) Pty Ltd

Perth, 31 May 2017

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		Consolidated Group	Consolidated Group
	Note	31.12.2014	31.12.2013
		\$	\$
Revenue	3	2,319,312	4,682,269
Cost of sales		(1,454,662)	(3,993,080)
Gross profit		864,650	689,189
Other income	3	(366)	442
Other revenue	3	33,726	19,082
Selling expenses		(147,439)	(220,317)
Administration expenses		(550,294)	(376,997)
Finance costs		(103,139)	(111,207)
Other expenses		(5,772)	(102,268)
Impairment Expense	3	(4,659,224)	-
(Loss)/profit before income tax		(4,567,858)	(102,076)
Income tax credit/(expense)		-	13,385
(Loss)/profit for the period		(4,567,858)	(88,691)
Other comprehensive income / (loss):			
Items that may be re-classified to profit or loss			
Foreign currency translation differences		1,106,983	1,522,709
Other comprehensive income / (loss) for the period, net of tax		1,106,983	1,522,709
Total comprehensive income / (loss) for the period		(3,460,875)	1,434,018
Profit/(Loss) attributable to member of the entity		(4,567,858)	(88,691)
Total comprehensive income / (loss) attributable to member of the entity		(3,460,875)	1,434,017

The accompanying notes form part of these financial statements.

Earnings per share from continuing operation	8	Cents	Cents
Basic loss per share		(5.83)	(0.11)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Consolidated Group 31.12.2014 \$	Consolidated Group 30.6.2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		118,266	343,334
Guarantee deposit with maturity over three months		264,546	272,817
Trade and other receivables	4	1,132,688	3,253,604
Inventories	5	2,205,745	2,824,920
Current Tax Asset		41,439	35,787
TOTAL CURRENT ASSETS		3,762,684	6,730,462
NON-CURRENT ASSETS			
Property, plant and equipment		7,718,187	6,785,325
Intangible assets	6	-	1,506,842
TOTAL NON-CURRENT ASSETS		7,718,187	8,292,167
TOTAL ASSETS		11,480,871	15,022,629
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,443,898	2,038,831
Borrowings		3,091,714	2,670,066
TOTAL CURRENT LIABILITIES		4,535,612	4,708,897
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,165,089	1,072,687
TOTAL NON-CURRENT LIABILITIES		1,165,089	1,072,687
TOTAL LIABILITIES		5,700,701	5,781,584
NET ASSETS		5,780,170	9,241,045
EQUITY			
Contributed equity	7	6,727,056	6,727,056
Reserves		4,894,977	3,787,994
(Accumulated losses)/retained earnings		(5,841,863)	(1,274,005)
TOTAL EQUITY		5,780,170	9,241,045

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Consolidated Group

	Contributed equity	Retained Earnings / (Accumulated Losses)	Revaluation Surplus	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	6,727,056	78,627	2,558,383	427,356	9,791,422
Comprehensive income					
Loss for the period	-	(88,691)	-	-	(88,691)
Other comprehensive income for the period					
Foreign currency translation reserve differences	-	-	-	1,522,709	1,522,709
Total comprehensive income for the period	-	(88,691)	-	1,522,709	1,434,018
Transactions with owners, in their capacity as owners and other transfers	-	-	-	-	-
Balance at 31 December 2013	6,727,056	(10,064)	2,558,383	1,950,065	11,225,440
Balance at 1 July 2014	6,727,056	(1,274,005)	2,558,383	1,229,611	9,241,045
Comprehensive income					
Loss for the period	-	(4,567,858)	-	-	(4,567,858)
Other comprehensive income for the period					
Foreign currency translation reserve differences	-	-	-	1,106,983	1,106,983
Total comprehensive (loss) for the period	-	(4,567,858)	-	1,106,983	(3,460,875)
Transactions with owners, in their capacity as owners and other transfers	-	-	-	-	-
Balance at 31 December 2014	6,727,056	(5,841,863)	2,558,383	2,336,594	5,780,170

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated Group 31.12.2014 \$	Consolidated Group 31.12.2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,584,972	3,372,270
Payments to suppliers and employees	(2,885,497)	(3,122,500)
Interest received	-	442
Interest paid	(101,869)	(109,054)
Income tax paid	(47,946)	-
Net cash provided by /(used in) operating activities	(450,340)	141,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,300)	(58,662)
Increase in guarantee deposits with maturity over three months	46,995	(243,529)
Loans to related parties – proceeds from repayments	166,017	72,037
Net cash provided by / (used in) investing activities	196,712	(230,154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,190,461	1,412,479
Repayments of borrowings	(2,190,461)	(1,677,319)
Net cash used in financing activities	-	(264,840)
Net decrease in cash held	(253,628)	(353,836)
Cash and cash equivalents at beginning of period	343,334	868,903
Net exchange differences on translation into a different presentation currency	28,560	28,075
Cash and cash equivalents at end of period	118,266	543,142

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Kingform Health Hometextile Group Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New, Revised or Amending Accounting Standards and Interpretations Adopted

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

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

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the half year ended 31 December 2014, the Group recorded a net loss after tax of \$4,567,858, incurred net cash outflows from operations of \$450,340, and had a working capital deficiency of \$772,928.

The ability of the Group to continue as a going concern is dependent upon the Group generating profitable operations and the refinancing of its existing borrowing facilities to continue to fund its operational and marketing activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there are sufficient funds to meet the Group's working capital requirements and as at the date of this report, and believe that the Group will continue as a going concern and be able to pay its debts as and when they fall due.

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

NOTE 2: SEGMENT INFORMATION

Kingform Health Hometextile Group Limited and its controlled entities (the 'Consolidated Group') operate in one business and geographical segment, manufacture of home textile products in China.

NOTE 3: LOSS FOR THE PERIOD

	Consolidated Group 31.12.2014 \$	Consolidated Group 31.12.2013 \$
Revenue		
Sales revenue:		
— sale of goods	2,319,312	4,682,269
Other revenue:		
— Interest income	-	19,082
— Government grants	11,306	-
— Other	22,420	-
	<u>33,726</u>	<u>19,082</u>
Impairment Expenses:		
— Write-down of inventories to net realisable value	1,631,227	-
— Write-down of trade debtors to net realisable value	366,185	-
— Write-down of intangible assets	1,556,380	-
— Write-down of receivable from related party	312,213	-
— Write-down of receivable from Jin Xikang	793,219	-
	<u>4,659,224</u>	<u>-</u>

NOTE 4: TRADE AND OTHER RECEIVABLES

	Consolidated Group 31.12.14	Consolidated Group 30.06.14
CURRENT		
Trade receivables – other persons	624,740	1,528,568
	<u>624,740</u>	<u>1,528,568</u>
Other receivables	205,236	219,074
Prepayment	172,958	144,285
Amounts receivable from director	-	718,553
Amounts receivable from related parties	129,754	643,124
	<u>507,948</u>	<u>1,725,036</u>
Total current trade and other receivables	<u>1,132,688</u>	<u>3,253,604</u>

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 5: INVENTORIES

	Consolidated Group 31.12.2014 \$	Consolidated Group 30.6.2014 \$
CURRENT		
Raw materials and stores	76,536	472,036
Finished goods	2,129,209	2,352,884
	<u>2,205,745</u>	<u>2,824,920</u>

NOTE 6: INTANGIBLE ASSETS

	Consolidated Group 31.12.2014 \$	Consolidated Group 30.6.2014 \$
Trademarks and Patent		
Cost	1,722,623	1,722,623
Accumulated amortisation and impairment losses	(1,722,623)	(215,781)
Net carrying amount	<u>-</u>	<u>1,506,842</u>

During the current financial period a decline in the market resulted in revenue and gross profit margin being lower than originally forecast or anticipated. These changes have had a significant impact over the five year project period resulting in an impairment of \$1,556,380. The impairment charge recognised resulted in the carrying value of trademarks and patent as at 31 December 14 to be nil.

NOTE 7: CONTRIBUTED EQUITY

	Consolidated Group 31.12.2014 \$	Consolidated Group 31.12.2013 \$
Share capital	<u>6,727,056</u>	<u>6,727,056</u>

During the half-year ended 31 December 2014, there were no new shares issued.

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 8: EARNINGS PER SHARE

	Consolidated Group 31.12.2014	Consolidated Group 31.12.2013
Earnings per share from continuing operations	\$	\$
(Loss)/profit after income tax attributable to owners of Kingform Health Hometextile Group Limited	(4,567,858)	(88,691)
	No of share	No of share
Weighted average number of ordinary shares used in calculating basic earnings per share	78,315,545	78,315,545
	Cents	Cents
Basic earnings/(loss) per share	(5.83)	(0.11)

NOTE 9: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Consolidated Group has no material contingent liability and contingent assets.

NOTE 10: EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to period-end the Group has gradually closed down its domestic retail stores and focus on the overseas sales and have developed a number of new customers in Europe and Australia which contributed additional sales in 2016 & 2017.

In addition, the Group successfully refinanced its existing borrowing facilities with new repayment date now being between June 2017 and May 2018.

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

Kingform Health Hometextile Group Limited and its Controlled Entities

ACN 153 801 766

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 15, 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 2014 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 the 31st May 2017



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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 Limited, which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon generating profitable operations and the refinancing of its existing borrowing facilities to continue to fund is operational and marketing activities. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

A handwritten signature in dark ink, appearing to read 'Wayne Basford', is written over a faint, larger signature that appears to read 'BDO'.

Wayne Basford

Director

Perth, 31 May 2017