

**Kingform Health Hometextile Group Limited**  
**ACN 153 801 766**  
**Annual Report for the Year Ended 30 June 2015**

## **CORPORATE GOVERNANCE STATEMENT**

### **Kingform Health Hometextile Group Limited's Corporate Governance Arrangements**

The objective of the Board of Kingform Health Hometextile Group Limited is to create and deliver long-term shareholder value through a range of diversified but interrelated 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 Health 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.

### **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 reasonably 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 2015, 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.

## **Gender Diversity**

The Group is committed to gender diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

	<b>2014</b>		<b>2015</b>	
	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
Women on the Board	-	-	-	-
Women in senior management roles	6	50	0	0
Women employees in the Group	87	81	87	77

## **Share Ownership and Share Trading Policy**

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

The Board's policy regarding directors and employees trading in Kingform Heath HometextileGroup 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 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 HometextileGroup Limited, to lodge questions to be responded by the Board and/or the CEO, and are able to appoint proxies.

## **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 2015.

### **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") decreased by 14% to \$5,605,538 for the financial year compared to \$6,512,453 in the previous year.

The Group incurred a loss after income tax of \$5,647,415 for the financial year an increase of 318% compared to a loss of \$1,352,632 in the previous year.

### **Review of Operations**

The Company's operations in the year ended 30 June 2015 have primarily involved the production of household textiles including a wide range of quilts, cushions, bed covers, sewing materials and other textile products. The company is operated in accordance with high standards and scientific decision-making process, also follows the basic requirements of steady development, and constantly improve the governance structure, rules and regulations. However sales from 1 July 2014 to 30 June 2015 were 14% lower than last year. Total expenses also increased 398% (including an increase in administration costs of 58% and a one off impairment charge of \$5,361,742) 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.

Subsequent to year-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.

## **DIRECTORS' REPORT**

### **Financial Position**

The net assets of the Consolidated Group have decreased by \$3,871,512 from the prior year to \$5,369,533 in 2015.

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**

Subsequent to year-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.

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

No other 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. We plan to increase work efficiency and product quality which will hopefully increase our market competitiveness.

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

<b>Xikang Jin</b>	<ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Chief Executive Officer</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>• Bachelor of Management in Tongxiang Zhongyang Dang School</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• More than twenty years' experience in the textile industry</li> <li>• Founder of Zhejiang Kangbao Hometextile Co. Ltd and is the president of Kangbao</li> <li>• Member of the China Hometextile Association, the China Textile Association, and a member of Tongxiang People's Congress</li> <li>• Patent inventor of "turned hand-free" silk manufacturing method</li> </ul>
Interest in Shares and Options	<ul style="list-style-type: none"> <li>• 39,780,525 ordinary shares in Kingform Health Hometextile Group Limited.</li> </ul>
Special Responsibilities	<ul style="list-style-type: none"> <li>• Chief Executive Officer</li> </ul>
Directorships held in other listed entities during the three years prior to the current year	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Xun Yang</b>	<ul style="list-style-type: none"> <li>• Non-executive Director</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>• Bachelor of Business (Accountancy) from RMIT</li> </ul>
Experience	<ul style="list-style-type: none"> <li>• Sales executive at Vinetex &amp; Co Pty Ltd, an indent agent in Australia which represents Chinese textile exporters</li> <li>• Finance manager at Provincial Clothing Pty Ltd which is an importer and wholesaler of men's clothing</li> <li>• Owner and director of Advancetex Agencies which is a sourcing agent on behalf of a number of importing companies</li> <li>• Director of Madison Skye Pty Ltd which is an importer and wholesaler of menswear and work wear products</li> </ul>
Interest in Shares and Options	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
Special Responsibilities	<ul style="list-style-type: none"> <li>• Member of Audit Committee</li> <li>• Member of Risk Committee</li> <li>• Member of Remuneration Committee</li> <li>• Member of Nomination Committee</li> </ul>
Directorships held in other listed entities during the three years prior to the current year	<ul style="list-style-type: none"> <li>• Nil</li> </ul>



## DIRECTORS' REPORT

### Information on the Directors (continued)

<b>Paul Desmond Nolan</b>	<ul style="list-style-type: none"> <li>Independent Director</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>Extensive textiles and retails trade experience</li> </ul>
Experience	<ul style="list-style-type: none"> <li>Textiles Buying Consultant for the Reject Shop</li> <li>National Sales and Marketing Manager of Smithtex Pty Ltd</li> </ul>
Interest in Shares and Options	<ul style="list-style-type: none"> <li>Nil</li> </ul>
Special Responsibilities	<ul style="list-style-type: none"> <li>Chairman of Audit Committee</li> <li>Chairman of Risk Committee</li> <li>Chairman of Remuneration Committee</li> <li>Chairman of Nomination Committee</li> </ul>
Directorships held in other listed entities during the three years prior to the current year	<ul style="list-style-type: none"> <li>Nil</li> </ul>

### 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

	Number eligible to attend	Number attended
Xun Yang	2	2
Paul Desmond Nolan	2	1
Xikang Jin	2	2

### 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, BDO(WA) Audit Pty Ltd.

### **Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on the Page 12 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	Non-executivedirector
	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.

2015	Short-term Benefits			Post-employment Benefits	Long-term Benefits	Other benefits	Total
	Salary, Fees and Leave	Cash bonus	Non-monetary benefits	Super-annuation or retirement benefits	Housing Fund, Medical, Unemployment Insurance	Loan forgiveness	
Name	\$	\$	\$	\$	\$	\$	\$
Xikang Jin	13,484	-	-	891	2,049	881,001	897,425
Xun Yang	5,000	-	-	-	-	-	5,000
Paul Desmond Nolan	5,000	-	-	-	-	-	5,000
<b>Total</b>	<b>23,484</b>	<b>-</b>	<b>-</b>	<b>891</b>	<b>2,049</b>	<b>881,001</b>	<b>907,425</b>

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

### Shareholdings

Ordinary Shares	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at the end of the year
Xikang Jin	39,780,525	-	-	-	39,780,525
Xun Yang	-	-	-	-	-
Paul Desmond Nolan	-	-	-	-	-

**Loans given to key management personnel**

Name	Balance at the start of the year	Loans advanced	Loan repayments received	Loan forgiveness	Exchange rate difference	Balance at end of the year
Xikang Jin	718,553	805,735	(659,710)	(881,001)	176,875	160,452
Pan Jianwen	(237,722)	1,687,263	(1,535,468)	-	85,927	-
Tongxiang Kangkang Household Textiles Co., Ltd	294,637	-	-	(332,859)	38,222	-
Pan Jianxing	348,487	100	(272,453)	-	57,165	133,299

**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.

**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 \$nil (2014: \$12,409).

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



**Xikang Jin**, Director

31<sup>st</sup> May 2017



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

As lead auditor of Kingform Health Hometextile Group Limited for the year ended 30 June 2015, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
Revenue	2	5,605,538	6,512,453
Cost of Sales		(4,259,732)	(6,372,459)
Gross Profit		1,345,806	139,994
Interest Income		-	2,652
Other Income	2	37,363	50,330
Administration Expenses		(948,061)	(598,960)
Sales Expenses		(447,486)	(487,473)
Other Expenses		(37,383)	(107,470)
Finance Expenses		(235,912)	(216,997)
Impairment Expense	3	(5,361,742)	-
Profit/(Loss) before Income Tax		(5,647,415)	(1,217,924)
Income Tax (Expense) / Benefit	4	-	(134,708)
<b>(Loss)/Profit for the Year</b>	3	<b>(5,647,415)</b>	<b>(1,352,632)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange Differences on Translating Foreign Operations		1,775,903	802,255
Other Comprehensive Income		1,775,903	802,255
<b>Total Comprehensive (Loss)/Income for the year</b>		<b>(3,871,512)</b>	<b>(550,377)</b>
<b>Profit/(Loss) for the year attributable to :</b>			
Owners of the Company		(5,647,415)	(1,352,632)
Non-Controlling Interest		-	-
<b>Total Comprehensive Income/(Loss) attributable to:</b>			
Owners of the Company		(3,871,512)	(550,377)
Non-Controlling Interest		-	-
<b>Earnings Per Share:</b>			
Basic Earnings/(Loss) per share(cents)	7	(7.21)	(1.73)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

	Note	2015 \$	2014 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	8	61,816	343,334
Guarantee Deposit with Maturity over Three Months	9	240,700	272,817
Trade and Other Receivables	10	1,222,186	3,253,604
Inventories	11	2,268,383	2,824,920
Current Tax Asset	17	-	35,787
<b>TOTAL CURRENTS ASSETS</b>		<b>3,793,085</b>	<b>6,730,462</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	13	8,135,377	6,785,325
Intangible Assets	14	-	1,506,842
<b>TOTAL NON-CURRENTS ASSETS</b>		<b>8,135,377</b>	<b>8,292,167</b>
<b>TOTAL ASSETS</b>		<b>11,928,462</b>	<b>15,022,629</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	15	1,782,341	2,038,831
Borrowings	16	3,527,752	2,670,066
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,310,093</b>	<b>4,708,897</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax Liabilities	17	1,248,836	1,072,687
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,248,836</b>	<b>1,072,687</b>
<b>TOTAL LIABILITIES</b>		<b>6,558,929</b>	<b>5,781,584</b>
<b>NET ASSETS</b>		<b>5,369,533</b>	<b>9,241,045</b>
<b>EQUITY</b>			
Issued Capital	18	6,727,056	6,727,056
Reserves	24	5,563,897	3,787,994
Retained Earnings/(Accumulated losses)		(6,921,420)	(1,274,005)
<b>TOTAL EQUITY</b>		<b>5,369,533</b>	<b>9,241,045</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015**

	Issued Capital	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
Profit/(Loss) for the year	-	(1,352,632)	-	-	(1,352,632)
Other Comprehensive Income for the year	-	-	-	802,255	802,255
<b>Total Comprehensive Income/(Loss) for year</b>		<b>(1,352,632)</b>	<b>-</b>	<b>802,255</b>	<b>(550,377)</b>
Transactions with owners and other transfers	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>6,727,056</b>	<b>(1,274,005)</b>	<b>2,558,383</b>	<b>1,229,611</b>	<b>9,241,045</b>
Loss for the year	-	(5,647,415)	-	-	(5,647,415)
Other Comprehensive Income for the year	-	-	-	1,775,903	1,775,903
<b>Total Comprehensive Income/(Loss) for year</b>	<b>-</b>	<b>(5,647,415)</b>	<b>-</b>	<b>1,775,903</b>	<b>(3,871,512)</b>
Transactions with owners and other transfers	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>6,727,056</b>	<b>(6,921,420)</b>	<b>2,558,383</b>	<b>3,005,514</b>	<b>5,369,533</b>

The accompanying notes form part of these financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		8,088,806	5,788,171
Payment to suppliers and employees		(8,682,443)	(5,425,677)
Interest received		-	2,652
Interest paid		(108,520)	(206,284)
Income tax paid		(10,686)	(151,735)
Net cash provided by/(used in) operating activities	21	(712,843)	7,127
<b>Cash Flows from Investing Activities</b>			
Purchase of property , plant and equipment		(14,304)	(63,578)
(Increase)/Decrease in guarantee deposits with maturity over three months		89,117	(280,758)
Repayments made by related parties		126,296	146,253
Net cash provided by/(used in) investing activities		201,109	(198,083)
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		4,184,101	2,747,788
Repayment of borrowings		(3,989,492)	(3,102,342)
Net cash provided by/(used in) financing activities		194,609	(354,554)
Net (decrease)/increase in cash held		(317,125)	(545,510)
Cash and cash equivalents at beginning of financial year		343,334	868,903
Effect of exchange rate on cash holdings in foreign currencies		35,607	19,941
Cash and cash equivalents at end of financial year	8	61,816	343,334

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

These consolidated financial statements and notes represent those of Kingform Health 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 31<sup>st</sup> May 2017 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’).

**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 year ended 30 June 2015, the Group recorded a net loss after tax of \$5,647,415, incurred net cash outflows from operations of \$712,843 and had a working capital deficiency of \$1,517,008.

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 is operational and marketing activities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

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.

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.

**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.

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 as unused tax losses.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

**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.

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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

**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.

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) 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 2015**

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

**Classification and subsequent measurement (Continued)**

*(ii) 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 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

**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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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 2015. They have not been adopted in preparing the financial statements for the year ended 30 June 2015. 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	<p>Amends the requirements for classification and measurement of financial assets.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial liabilities; and</li> <li>• Derecognition requirements for financial assets and liabilities.</li> </ul> <p>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.</p>	Periods beginning on or after 1 January 2018	<p>Adoption of AASB 9 is only mandatory for the 31 December 2018 year end. The Group has not yet made an assessment of the</p> <p>Impact of these amendments.</p>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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	<p>Makes three amendments to AASB 9:</p> <ul style="list-style-type: none"> <li>•Adding the new hedge accounting requirements into AASB 9</li> <li>•Deferring the effective date of AASB 9 from 1 January 2015 to 1 January 2018, and</li> <li>•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.</li> </ul> <p>Under the new hedge accounting requirements:</p> <ul style="list-style-type: none"> <li>•The 80-125% highly effective threshold has been removed</li> <li>•Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable</li> <li>•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</li> <li>•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</li> <li>•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</li> <li>•Net foreign exchange cash flow positions can qualify for hedge accounting.</li> </ul>	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 2015**

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

**Accounting standards issued, not yet effective (Continued)**

Standards likely to have a disclosure impact only

<b>AASB reference</b>	<b>Title and Affected Standard(s):</b>	<b>Nature of Change</b>	<b>Application date:</b>	<b>Impact on Initial Application</b>
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 2015**

**NOTE 2: REVENUE AND OTHER INCOME**

**a: Revenue and other income from continuing operations**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
Sales Revenues		
Sale of goods	5,605,538	6,512,453
Interest income	-	2,652
Government grants	13,266	5,815
Other	24,097	44,515
Total revenue and other income	<u>5,642,901</u>	<u>6,565,435</u>

**NOTE 3: LOSS FOR THE YEAR**

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

Salary and wages	900,717	820,496
Employee benefits expense:		
– contribution to defined contribution superannuation funds and other retirement benefits	29,218	26,616
– contributions to medical insurance	16,646	15,163
– contributions to housing fund	5,655	5,152
– contributions to unemployment insurance	3,853	3,510
-- contributions to work injury insurance	5,218	4,753
Depreciation	261,205	264,330
Amortisation	86,037	113,480
Foreign currency translation losses/ (gains)	5,519	63,495
Write-down of inventories to net realisable value	1,933,707	156,910
Write-down of trade debtors to net realisable value	597,893	-
Write-down of intangible assets	1,616,282	-
Write-down of receivable from related party	332,859	-
Write-down of receivable from Jin Xikang	881,001	-

**NOTE 4: INCOME TAX EXPENSE**

The components of tax expense comprise:

Current tax	-	7,553
Adjustments for previous years	-	75,796
Total current income tax expense/(benefit)	-	<u>83,349</u>
Deferred tax	-	51,359
	-	<u>134,708</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 4: INCOME TAX EXPENSE (CONTINUED)**

	<b>Consolidated Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on loss from ordinary activities before income tax at 25% (2014: 25%)		
– consolidated group	(1,411,852)	(304,481)
Add: deferred tax assets not recognised	1,392,426	7,271
movement in deferred tax liabilities	-	388,090
other	-	(31,968)
-- over/under provision in prior years	-	75,796
-- Foreign tax rate differential	19,426	-
Income tax attributable to entity	-	134,708
The applicable weighted average effective tax rates are:	Nil%	-11%

**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 2015.

The totals of remuneration paid to KMP of the Group during the year are as follows:

Short-term employee benefits	23,484	39,139
Post-employment benefits	891	861
Other long-term benefits	2,049	2,345
Other benefits – loan forgiveness	881,001	-
Total KMP compensation	907,425	42,354

**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:

	<b>Balance at Beginning of Year</b>	<b>Shares reduction</b>	<b>Other changes during the year</b>	<b>Shares issued in exchange for patent and trademarks</b>	<b>Initial Public Offering</b>	<b>Balance at End of Year</b>
<b>30 June 2015</b>						
Xikang Jin	39,780,525	-	-	-	-	39,780,525
<b>30 June 2014</b>						
Xikang Jin	39,780,525	-	-	-	-	39,780,525



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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**

	<b>Consolidated Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor for:		
– auditing or reviewing the financial statements by current auditor	60,000	-
– auditing or reviewing the financial statements by previous auditor	-	29,682
Remuneration of other auditor for:		
– auditing or reviewing the financial statements	-	10,637
	<u>60,000</u>	<u>40,319</u>

The auditor of the Group is BDO Audit (WA) Pty Ltd (2014: Hayes Knight Audit Pty Ltd).

**NOTE 7: EARNINGS PER SHARE**

a. Reconciliation of earnings to profit or loss:

(Loss)/Profit	(5,647,415)	(1,352,632)
Profit attributable to non-controlling equity interest	-	-
Redeemable and converting preference share dividends	-	-
(Loss)/Earnings used to calculate basic EPS	<u>(5,647,415)</u>	<u>(1,352,632)</u>
Dividends on converting preference shares	-	-
(Loss)/Earnings used in the calculation of dilutive EPS	<u>(5,647,415)</u>	<u>(1,352,632)</u>

	<b>No.</b>	<b>No.</b>
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	<u>78,315,545</u>	<u>78,315,545</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 8: CASH AND CASH EQUIVALENTS**

	Note	Consolidated Group 2015 \$	2014 \$
Cash on hand		1,990	81
Cash at bank		59,826	343,253
		<u>61,816</u>	<u>343,334</u>

The effective interest rate on short-term bank deposits was 0.03%-0.5% (2014: 0.03%-0.5%).

**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:

Cash on hand		1,990	81
Cash at bank		59,826	343,253
	23	<u>61,816</u>	<u>343,334</u>

**NOTE 9: GUARANTEE DEPOSIT WITH MATURITY OVER THREE MONTHS**

Guarantee deposit with maturity over three months	<u>240,700</u>	<u>272,817</u>
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As at 30 June 2015, there were current short-term deposits with maturity over three months of \$240,700 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**

**CURRENT**

Trade receivables— other persons	1,350,130	1,528,568
Provision for impairment	(656,861)	-
	<u>693,269</u>	<u>1,528,568</u>
Other receivables	115,473	219,074
Prepayment	119,693	144,285
Amounts receivable from director	160,452	718,553
Amounts receivable from related parties	133,299	643,124
	<u>528,917</u>	<u>1,725,036</u>
Total current trade and other receivables	<u>1,222,186</u>	<u>3,253,604</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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 2014	\$	\$	\$ 30 Jun 2015
<b>Consolidated Group</b>				
Current trade receivables	-	597,893	58,968	656,861
	1 Jul 2013			30 Jun 2014
<b>Consolidated Group</b>				
Current trade receivables	36,803	(37,228)	425	-

**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 2015**

**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.

	<b>Gross Amount \$</b>	<b>Past Due and Impaired \$</b>	<b>Past Due but Not Impaired (Days Overdue)</b>				<b>Within Initial Trade Terms \$</b>
			<b>&lt; 30 \$</b>	<b>31–60 \$</b>	<b>61–90 \$</b>	<b>&gt; 90 \$</b>	
<b>2015</b>							
Trade receivables	1,350,130	656,861	609,599	83,670	-	-	-
Other receivables	409,224	-	-	3,423	133,199	272,602	-
<b>Total</b>	<b>1,759,354</b>	<b>656,861</b>	<b>609,599</b>	<b>87,093</b>	<b>133,199</b>	<b>272,602</b>	<b>-</b>
<b>2014</b>							
Trade receivables	1,528,568	-	103,256	7,897	-	-	1,417,415
Other receivables	1,580,751	-	-	-	-	643,124	937,627
<b>Total</b>	<b>3,109,319</b>	<b>-</b>	<b>103,256</b>	<b>7,897</b>	<b>-</b>	<b>643,124</b>	<b>2,355,042</b>

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**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2015 \$</b>	<b>2014 \$</b>
Trade and other receivables:			
– total current		1,759,354	3,109,319
– total non-current		-	-
Less: VAT/GST refundable and others		-	(50,018)
		<b>1,759,354</b>	<b>3,059,301</b>

**NOTE 11: INVENTORIES**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2015 \$</b>	<b>2014 \$</b>
<b>CURRENT</b>			
Raw materials and stores		275,954	472,036
Finished goods		1,992,429	2,352,884
		<b>2,268,383</b>	<b>2,824,920</b>

Write-downs of inventories to net realisable value during the current financial year amounted to \$1,933,707(2014: \$156,910).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 12: CONTROLLED ENTITIES**

**Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)*	
		2015	2014
Subsidiaries of Kingform Health Hometextile GroupLtd:			
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**

		Consolidated Group	
		2015	2014
		\$	\$
<b>LAND AND BUILDINGS</b>			
Land use right and buildings at:			
Independent valuation 2012	13(a)(i)	8,473,738	6,827,337
At cost		-	-
Accumulated depreciation		(747,479)	(449,628)
Total land and buildings		<u>7,726,259</u>	<u>6,377,709</u>
<b>PLANT AND EQUIPMENT</b>			
Plant and equipment:			
At cost		660,095	532,151
Accumulated depreciation		(405,865)	(284,485)
		<u>254,230</u>	<u>247,666</u>
Electronic equipment:			
At cost		404,417	324,928
Accumulated depreciation		(249,529)	(164,978)
		<u>154,888</u>	<u>159,950</u>
Total plant and equipment		<u>409,118</u>	<u>407,616</u>
<b>Total property, plant and equipment</b>		<b><u>8,135,377</u></b>	<b><u>6,785,325</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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:

	<b>Land Use Right and Buildings \$</b>	<b>Plant and Equipment \$</b>	<b>Electronic Equipment and Motor Vehicles \$</b>	<b>Total \$</b>
<b>Consolidated Group:</b>				
Balance at 1 July 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
Reclassification	-	-	-	-
Additions	-	4,507	1,031	5,538
Disposals	-	-	-	-
Depreciation expense	(172,418)	(48,039)	(40,748)	(261,205)
Net exchange differences on translation into a different presentation currency	1,520,968	50,096	34,655	1,605,719
Balance at 30 June 2015	7,726,259	254,230	154,888	8,135,377

(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**

	<b>Consolidated Group 2015 \$</b>	<b>2014 \$</b>
<b>Trademarks and Patent</b>		
Cost	1,722,623	1,722,623
Accumulated amortisation and impairment losses	(1,722,623)	(215,781)
Net carrying amount	-	1,506,842
 Total intangibles	 -	 1,506,842

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 14: INTANGIBLE ASSETS (CONTINUED)**

**a. Movements in Carrying Amounts**

	<b>Trademarks &amp; patent \$</b>
<b>Consolidated Group:</b>	
<b>Year ended 30 June 2014</b>	
Balance at the beginning of the year	1,451,409
Additions	-
Amortisation and impairment charge for the year	(113,480)
Net exchange differences on translation into a different presentation currency	168,913
Written off for the year	-
Closing value at 30 June 2014	<u>1,506,842</u>
<b>Year ended 30 June 2015</b>	
Balance at the beginning of the year	1,506,842
Amortisation and impairment charge for the year	(1,702,319)
Net exchange differences on translation into a different presentation currency	195,477
Closing value at 30 June 2015	<u>-</u>

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.

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 charge of \$1,702,319. The impairment charge recognised resulted in the carrying value of trademarks being nil as at 30 June 2015.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 15: TRADE AND OTHER PAYABLES**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
CURRENT			
Unsecured liabilities:			
Trade payables		737,043	528,187
Bills payables		545,540	545,062
Receipt in advance		224,312	605,850
Other payables		275,446	122,010
Amount payable to related party		-	237,722
	15a	<u>1,782,341</u>	<u>2,038,831</u>

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
a. Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
– total current		1,782,341	2,038,831
– total non-current		-	-
Financial liabilities as trade and other payables	23	<u>1,782,341</u>	<u>2,038,831</u>

**NOTE 16: BORROWINGS**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
CURRENT			
Secured liabilities:			
Bank loans	23	<u>3,527,752</u>	<u>2,670,066</u>

The above loan is to be repaid in accordance with the following schedule:

Repayment Amount	Repayment Date	Interest Rate
1,069,016	2/4/2016	5.62%
1,069,016	3/4/2016	7.20%
534,508	15/6/2016	8.10%
855,212	17/11/2016	6.30%

Subsequent to year-end the loan has been successfully refinanced with new repayment date as follows:

Repayment Amount	Repayment Date	Interest Rate
1,000,000	11/05/2018	Floating rate
5,000,000	06/04/2018	Floating rate
4,000,000	13/06/2017	Floating rate
4,000,000	20/11/2017	Floating rate
2,500,000	10/06/2017	8.1%



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 16: BORROWINGS (CONTINUED)**

a. The carrying amounts of non-current assets pledged as security are:

First mortgage:

- Property	7,726,259	6,377,709
-- Plant and Equipment	254,230	247,666
- Electronic Equipment and Motor Vehicles	154,888	159,950
	<u>8,135,377</u>	<u>6,785,325</u>

**NOTE 17: TAX**

**CURRENT**

Income tax payable	<u>-</u>	<u>(35,787)</u>
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The tax rate applicable to 2015 is 25% (2014: 25%). The statutory tax rate is 25%.

Deferred tax assets / (liabilities)	Opening Balance \$	Charged to Income \$	Exchange Differences \$	Closing Balance \$
<b>Consolidated Group</b>				
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	-	32,687	(1,110)	31,577
Other	-	(202,749)	5,920	(196,829)
<b>Balance at 30 June 2014</b>	<u>(1,040,525)</u>	<u>(51,359)</u>	<u>19,197</u>	<u>(1,072,687)</u>
Future income tax benefits attributable to tax losses	-	-	-	-
Net gain on revaluation of land use rights and buildings	(1,006,194)	-	(165,902)	(1,172,096)
Depreciation	(2,926)	2,926	-	-
Amortisation	101,685	33,895	20,199	155,779
Inventory	31,577	(31,577)	-	-
Other	(196,829)	(5,244)	(30,446)	(232,519)
<b>Balance at 30 June 2015</b>	<u>(1,072,687)</u>	<u>-</u>	<u>(176,149)</u>	<u>(1,248,836)</u>

**Consolidated Group**  
**2015**  
**\$**

**2014**  
**\$**

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 occur:

2,081,382    1,552,359

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 18: ISSUED CAPITAL**

	<b>Consolidated Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
78,315,545 (2014: 78,315,545) fully paid ordinary shares	6,727,056	6,727,056
	<u>6,727,056</u>	<u>6,727,056</u>

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

<b>a. Ordinary Shares</b>	<b>No.</b>	<b>No.</b>
At the beginning of the reporting period:	78,315,545	78,315,545
At the end of the reporting period	<u>78,315,545</u>	<u>78,315,545</u>

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.

**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 2015 and 30 June 2014 are as follows:

		<b>Consolidated Group</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
Total borrowings	16	3,527,752	2,670,066
Trade and other payables	15	1,782,341	1,195,259
Less cash and cash equivalents	8	(61,816)	(343,334)
Less guarantee deposit with maturity over three months	9	(240,700)	(272,817)
Net debt		<u>5,007,577</u>	<u>3,249,174</u>
Total equity		<u>5,369,533</u>	<u>9,241,045</u>
Total capital		<u>10,377,110</u>	<u>12,490,219</u>
Gearing ratio		48%	26%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 19: OPERATING SEGMENTS**

The consolidated group operates in one business being the manufacture of hometextile products in China. These sales and the associated gross profits are spread across the following geographic segments:

**Revenue and Gross Profit**

	<b>Sales Revenue</b>	<b>Gross Profit</b>
	<b>\$</b>	<b>\$</b>
Australia	3,273,225	517,170
Korea	426,819	71,279
United States	152,695	25,806
China	1,752,799	731,551
<b>Total</b>	<b>5,605,538</b>	<b>1,345,806</b>

**Non-Current Assets**

	<b>\$</b>
Australia	-
China	8,135,377
<b>Total</b>	<b>8,135,377</b>

**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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)**

**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.

**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 (2014: nil%).

	<b>Consolidated Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
i. <i>Loans to key management personnel:</i>		
- Jin Xikang, director		
Beginning of the year	718,553	73,255
Loans advanced	805,735	733,002
Loans repayment received	(659,710)	(74,102)
Forgiveness of loan	(881,001)	-
Net exchange differences on translation into a different presentation currency	176,875	(13,602)
End of the year	<u>160,452</u>	<u>718,553</u>

No formal loan agreements are in place.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 20: RELATED PARTY TRANSACTIONS (CONTINUED)**

**c. Amount outstanding from related parties: (Continued)**

	2015 \$	2014 \$
ii. <i>Loans to/(from) KMP and other related parties:</i>		
– <i>Pan Jianwen</i>		
Beginning of the year	(237,722)	-
Loans from related party	1,687,263	(1,043,273)
Repayment to related party	(1,535,468)	798,631
Loans repayment received	-	-
Net exchange differences on translation into a different presentation currency	85,927	6,920
End of the year	<u>-</u>	<u>(237,722)</u>
– <i>Tongxiang Kangkang Household Textiles Co., Ltd</i>		
Beginning of the year	294,637	340,301
Loans advanced	-	1,773
Loans repayment received	-	(42,793)
Forgiveness of loan	(332,859)	-
Interest charged	-	-
Net exchange differences on translation into a different presentation currency	38,222	(4,644)
End of the year	<u>-</u>	<u>294,637</u>
– <i>Pan Jianxing</i>		
Beginning of the year	348,487	553,814
Loans advanced	100	4,077
Loans repayment received	(272,453)	(258,867)
Write off loan	-	-
Interest charged	-	-
Net exchange differences on translation into a different presentation currency	57,165	49,463
End of the year	<u>133,299</u>	<u>348,487</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**NOTE 21: CASH FLOW INFORMATION**

	2015 \$	2014 \$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit/(Loss) after income tax	(5,647,415)	(1,352,632)
Non-cash flows in profit:		
– Amortisation and impairment of intangible assets	1,702,319	113,480
– Depreciation	261,205	264,330
– gain on sale of fixed assets	-	2,285
– impairment of inventories	1,933,707	-
– impairment of trade debtors	597,893	-
– impairment of receivable from Mr Xikang Jin	881,001	-
– impairment of receivable from Tongxiang Kangkang Household Textiles Co., Ltd	332,859	-
– foreign currency translation movement	6,083	(2,282)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase) / decrease in trade and term receivables	641,229	(399,015)
– (increase) / decrease in inventories	(1,377,170)	361,039
– increase / (decrease) in trade payables and other payables	(256,490)	1,036,948
– increase / (decrease) in current tax liabilities	35,787	(68,386)
– increase in deferred tax liabilities	176,149	51,360
Cash flow (used in) / provided by operating activities	<u>(712,843)</u>	<u>7,127</u>

**NOTE 22: EVENTS AFTER THE REPORTING PERIOD**

Subsequent to year-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 other 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 2015**

**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:

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	8	61,816	343,334
Guarantee deposit with maturity over three months	9	240,700	272,817
Related party receivables	10	160,552	1,361,677
Trade and other receivables	10	941,941	1,697,624
<b>Total financial assets</b>		<b>1,405,009</b>	<b>3,675,452</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
— trade and other payables	15	1,782,341	2,038,831
— borrowings	16	3,527,752	2,670,066
<b>Total financial liabilities</b>		<b>5,310,093</b>	<b>4,708,897</b>

**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 2015.

**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 2015**

**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.

	<b>Consolidated Group</b>	
	<b>2015</b>	<b>2014</b>
Cash in bank:		
– AAA rated	302,516	616,151
	<u>302,516</u>	<u>616,151</u>

**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

<b>Consolidated Group</b>	<b>Within 1 Year</b>		<b>1 to 5 Years</b>		<b>Over 5 Years</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due for payment</b>								
Bank loans	3,527,752	2,768,767	-	-	-	-	3,527,752	2,768,767
Trade and other payables	1,782,341	2,038,831	-	-	-	-	1,782,341	2,038,831
Total expected outflows	<u>5,310,093</u>	<u>4,807,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,310,093</u>	<u>4,807,598</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**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.

	<b>Consolidated Group</b>	
	<b>Profit</b>	<b>Equity</b>
	<b>\$</b>	<b>\$</b>
<b>Year ended 30 June 2015</b>		
+/-1% in interest rates	+/-3,025	-
<b>Year ended 30 June 2014</b>		
+/-1% in interest rates	+/- 2,574	-

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 2015**

**NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)**

**FAIR VALUES (CONTINUED)**

Consolidated Group	Note	2015		2014	
		Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
<b>Financial assets</b>					
Cash and cash equivalents	(i)	61,816	61,816	343,334	343,334
Guarantee deposit with maturity over three months		240,700	240,700	272,817	272,817
Trade and other receivables	(i)	1,222,184	1,222,184	3,059,301	3,059,301
<b>Total financial assets</b>		<u>1,524,700</u>	<u>1,524,700</u>	<u>3,675,452</u>	<u>3,675,452</u>
<b>Financial liabilities</b>					
Trade and other payables	(i)	1,782,341	1,782,341	2,038,831	2,038,831
Bank loans	(i)	3,527,752	3,527,752	2,670,066	2,670,066
<b>Total financial liabilities</b>		<u>5,310,093</u>	<u>5,310,093</u>	<u>4,708,897</u>	<u>4,708,897</u>

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 2015**

**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:

	2015 \$	2014 \$
<b>STATEMENT OF FINANCIAL POSITION</b>		
ASSETS		
Current assets	754,915	2,130,482
Non-current assets	4,047,077	7,458,008
<b>TOTAL ASSETS</b>	<b>4,801,992</b>	<b>9,588,490</b>
LIABILITIES		
Current liabilities	114,589	649,724
<b>TOTAL LIABILITIES</b>	<b>114,589</b>	<b>649,724</b>
EQUITY		
Issued capital	14,729,567	14,729,567
Accumulated losses	(10,042,164)	(5,790,801)
<b>TOTAL EQUITY</b>	<b>4,687,403</b>	<b>8,938,766</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Total losses	(4,251,363)	(5,574,385)
<b>Total comprehensive losses</b>	<b>(4,251,363)</b>	<b>(5,574,385)</b>

Included in the loss of the year is an impairment of \$534,241 related to a payable to Mr Jin Xikang, impairment of \$1,228,946 related to a receivable from Zhejiang Kangbo Household Textile Limited Co., and impairment of 3,410,931 of investment in subsidiary Zhejiang Kangbo Household Textile Limited Co..

**NOTE 26: CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 30 June 2015(30 June 2014: 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 HometextileGroup Limited, the directors of the Group declare that:

1. the financial statements and notes, as set out on pages 13 to 50, 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 2015 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

31<sup>st</sup> May 2017



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## 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 2015, 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 consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### 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*. 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 report.



## 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 2015 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 financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the 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.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in black 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

## 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
	<b>78,315,545</b>	<b>100.00</b>

#### 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
	<b>78,315,545</b>	<b>100.00</b>	<b>167</b>	<b>100.00</b>

#### 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
	<b>78,315,545</b>	<b>100.00</b>	<b>167</b>	<b>100.00</b>

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:

Shareholder:	Number	
	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**

		<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
<b>Name</b>			
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)**

<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
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%
	<b>74,686,145</b>	<b>97.72%</b>

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.