



# **Australia Samly Holdings Group Limited**

**ABN 16 164 307 975**

**Annual Report - 30 June 2014**

**Australia Samly Holdings Group Limited**

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**30 June 2014**

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**Australia Samly Holdings Group Limited**

**Corporate directory**

**30 June 2014**

Directors	Liangchao Chen (Executive Director and Chairman) Colin Guang Zheng (Non-Executive Director) Zhimin Xiong (Non-Executive Director) Ying Yao (Executive Director) Enhua Huang (Executive Director)
Company secretaries	Jiajun Li Pin Yin
Registered office	C/- Baker & Mackenzie AMP Centre, Level 27 50 Bridge Street Sydney, NSW 2000, AUSTRALIA
Principal place of business	C/- Baker & Mackenzie AMP Centre, Level 27 50 Bridge Street Sydney, NSW 200, AUSTRALIA
Share register	Sharebpo Pty Ltd Level 1, 51-57 Pitt Street Sydney NSW 2000
Auditor	BDO East Coast Partnership Level 14, 140 William Street Melbourne, VIC 3000
Solicitors	Baker & Mackenzie AMP Centre, Level 27 50 Bridge Street Sydney, NSW 2000, AUSTRALIA
Bankers	Commonwealth Bank of Australia 28 Kingsway Glen Waverley, VIC 3150
Stock exchange listing	Australia Samly Holdings Group Limited shares are listed on the Asia Pacific Stock Exchange (APX code: 8SA)
Website	<a href="http://www.samly.net">www.samly.net</a>

## Australia Samly Holdings Group Limited

### Directors' report

30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Australia Samly Holdings Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

#### Directors

The following persons were directors of Australia Samly Holdings Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Liangchao Chen (Executive Director and Chairman)

Colin Guang Zheng (Non-Executive Director, appointed 15 November 2013)

Zhimin Xiong (Non-Executive Director)

Peng Yu (Executive Director and Chief Executive Officer, appointed as a Director 15 November 2013, resigned as a Director 22 July 2014, but remains as CEO)

Enhua Huang (Executive Director and Chief Financial Officer, appointed 15 November 2013)

Ying Yao (Executive Director, appointed 27 June 2014)

#### Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Research and development nutrition and dietary supplements;
- Produce nutrition and dietary supplements; and
- Sale of nutrition and dietary supplements.

#### Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

#### Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$65,248 (30 June 2013: \$1,085,065).

#### *Financial Performance*

The Company reported sales and other income of \$12.69 million in the financial year 2014 (2013: \$8.73 million). The Company's total assets increased from \$11.57 million at 30 June 2013 to \$16.17 million at 30 June 2014, including cash and cash equivalents which increased from \$2.32 million at 30 June 2013 to \$5.74 million at 30 June 2014. Net assets increased from \$1.84 million at 30 June 2013 to \$5.29 million at 30 June 2014. This included an increase in cash of \$4.64 million arising from the completed IPO before costs of \$1.24 million.

#### *Operations review*

During the 2014 financial year, the Company focused on market expansion for products and brand building. Sales terminals, the most important tool for promoting sales, increased from 5000 to 6000 at 30 June 2014. During the year the Company cooperated with alliance pharmacies located in Guizhou, Jilin, Shandong and Yunnan; which are almost "new domestic markets" compared with the previous year. In order to expand market share in the Chinese market, the Company also delivered 19 gold medal manager training courses in the year, (8 courses in 2013), and carried out targeted marketing in the Company's most significant markets - Jiangsu Changzhou, Hebei Handan, Guangdong Zhuhai etc. In October 2013, and throughout the year, the Company introduced a series of new products of effervescent tablets and 15 new products, including Maca tablets in order to increase and enhance the product mix offered.

#### *Staff*

The Company currently employs 264 employees in China (including temporary staff) at 30 June 2014. This number is expected to grow rapidly based on continued growth and success of the business. We are deeply appreciative of the commitment and contribution of all staff, and will continue to provide more training and opportunity to enable each employee to develop their future career.

**Australia Samly Holdings Group Limited**  
**Directors' report**  
**30 June 2014**

*Outlook*

We expect the current rapid growth trend for the Company will continue in the future years. The Company has focussed on market and brand building, increasing capacity through development of a new factory, and increasing marketing and advertising activities. This includes the collaboration with Lixiang and her family as brand spokespersons for the Company, and the associated marketing campaign, and the new brand packaging which is expected to be released at the end of year.

The Company is confident that its business model, in conjunction with the growth profile of the industry and the expertise of the Board and management team, provides a strong platform for growth.

**Significant changes in the state of affairs**

On 6 March 2014, the Company completed its initial public offering ("IPO") and was listed on the Asia Pacific Stock Exchange Limited ("APX"), successfully raising gross proceeds of \$4,636,500 from the issue of 4,636,500 fully paid ordinary shares at a price of \$1 per share. Costs relating to the capital raising amounted \$1,242,735.

In November 2013, Shenzhen Vitality Bio-health technology Jiangsu Co., Ltd ("Jiangsu Company") was fully established and its factory formally put into production. Jiangsu Company established 4 production lines to produce soft capsule products, such as Liquid calcium soft capsule, fish oil soft capsule, lecithin soft capsule, multivitamin soft capsule etc. From November 2013 to 30 June 2014, Jiangsu Company generated revenues of RMB 6.03 million, with a production capacity of 50-60 million soft capsules per month. Jiangsu Company is planning to invest RMB3-5 million to build a packaging line at the end of 2014 or in the beginning of 2015 increasing its contribution and importance to the whole Group.

In March 2014, the Company hosted the "Dream comes true" conference in Australia, and the "Intelligence takes over the future" conference in Shenzhen, China. During this conference, the Company introduced 15 new products that will further expand its market share of the growing health and nutritional supplement product market, and meet the fast-changing demands in the Chinese market. The launch will further advance the Australia Samly group's objective of providing personalised dietary nutrition programs for consumers and to expand into the field of health management services, by distributing its products and services into 34 provinces, municipalities and autonomous regions.

During the year, the Company signed Lixiang and her family (her husband and daughter) as the Company's brand image spokespeople. Lixiang is a famous actor in China and television host on Hunan TV station. Her husband, Mr. Wang Yuelun, is a famous TV director in China, and has appeared on the television programme "Dad! Where are we going?" with his daughter, Wang Shiling (Angela Wang) in 2013. In 2014, Lixiang and her family were engaged in only three brand advertisements: Yili Milk, Dettol and Australia Samly.

In August 2014, the Company's new campaign commenced with the shooting of a new advertisement starring Lixiang in Beijing. The new advertisement was expected to be released at the end of 2014.

Also during the year, the Company entered into an arrangement with a French design company that has been engaged in brand planning in China for several years to upgrade the Company's product packaging. This design company has successfully helped a number of famous brands such as Hermes, Dior, Cartier etc to enhance their image upgrade. The design company has finished its design work and provided product packaging models to the Company at the end of August 2014. The Company is planning to introduce new serial bottles at the end of 2014.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The consolidated entity will continue to develop its sales channels in order to expand its market footprint and improve its market share. The second stage of the construction of the factory in Jiangsu province of China is expected to increase production capacity and bring improved capabilities when completed. The Company has budgeted for costs RMB3.5 million (approximately \$600,000) for the completion of the factory development.

## Australia Samly Holdings Group Limited

### Directors' report

30 June 2014

#### Environmental regulation

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

The consolidated entity operates two factories that are certified Good Manufacturing Practice ("GMP") factories. GMP certification requires satisfaction of The People's Republic of China Environmental Impact Assessment Law, and therefore the consolidated entity must comply with the requirements of this law at the GMP factories.

#### Information on directors

Name:	Liangchao Chen
Title:	Executive Director and Chairman
Qualifications:	EMBA
Experience and expertise:	As the co-founder of Shenzhen Samly, Mr Chen has more than 10 years of experience in the health food and dietary supplements business industry and is a well-known entrepreneur in Shenzhen. Mr Chen graduated from the renowned Tsinghua University in Beijing, PRC with a degree in Master of Administration (EMBA). Mr Chen is responsible for making strategic decisions for the Group and has experience in finance and banking, resource and operational management and has excellent public relations skills. Under Mr Chen's leadership, Shenzhen Samly has won the "National Food Safety Demonstration Unit" title for the past eight consecutive years, which was unique amongst its industry.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee, member of the Audit and Risk Committee, Chairman of the Continuous Disclosure Committee
Interests in shares:	21,726,000 fully paid ordinary shares
Name:	Colin Guang Zheng
Title:	Non-executive and independent director
Qualifications:	BA
Experience and expertise:	Mr. Colin Guang Zheng, non-executive director, graduated from Stott's College for business management in Australia. Colin has worked as the sales manager for TESL Books and as shop manager for Riversdale Gourmet, both in Australia. He has solid experience in company management.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Nomination and Remuneration Committee, member of the Audit and Risk Committee
Interests in shares:	None
Name:	Zhimin Xiong
Title:	Non-executive and independent director
Experience and expertise:	Ms Xiong worked in Shenzhen Longhai Tuo Industrial Co. Ltd and Shenzhen Changxi Industrial Co., Ltd for 6 years. During this period, Ms Xiong was engaged in administration and accounting.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and Chairman of the Audit and Risk Committee
Interests in shares:	None

## Australia Samly Holdings Group Limited

### Directors' report

30 June 2014

Name: Peng Yu  
Title: Chief Executive Officer  
Experience and expertise: Mr. Peng Yu is responsible for the group's overall logistical support, human resources and training etc. He has been engaged in the industry of nutritional health food for sixteen years, applying the health care products distribution industry's first conference model, having trained in disease prescription sales (and disease related sales), and being an early advocate of terminal service mode, he has extensive experience in nutrition and health food marketing and training.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Ensuring the continuous disclosure requirements of the APX are met  
Interests in shares: 5,000 fully paid ordinary shares

Name: Enhua Huang  
Title: Executive Director, Chief Financial Officer  
Qualifications: MA, AIA member, Intermediate Accountant of P.R.C  
Experience and expertise: Enhua Huang graduated from Beijing Technology and Business University (bachelor) and Deakin University (master) in Australia. He holds AIA membership and Intermediate Accountant of P.R.C certification and is currently undertaking the professional stage exams for entry to the ACCA. He is in charge of setting up and improving financial policies and financial strategy; setting up, improving and monitoring budget and financial management policies; reviewing major decision; liaising with the Company's auditors. He has 11 years' work experience in accounting and has been engaged in the set up and improvement of financial systems at two companies previously. He has contributed significantly throughout the Company's IPO process.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Member of the Audit and Risk Committee  
Interests in shares: 5,000 fully paid ordinary shares

Name: Ying Yao  
Title: Executive Director and Group Procurement Controller  
Experience and expertise: Ms Yao is the Group's Procurement Controller and has been working for Shenzhen Samly since 2008. Ms Yao holds a Master of Administration (EMBA) from the Beijing University. Ms Yao is responsible for the procurement work for the Group. Ms Yao has more than 10 years of experience in the healthcare industry and has held positions in accounting, administration, management and procurement departments in Shenzhen Samly businesses. Ms Yao is the wife of the Group's founder, Liangchao Chen, and has assisted Mr Chen with the growth of the business over the years since Mr Chen co-founded the Samly group of companies. Ms Yao has extensive knowledge and experience in the Group's operations and in particular in the procurement services for the Group's business units.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretaries

Jiajun Li (BA) has held the role of Joint Company Secretary since November 2013. She worked previously as the Risk Manager of International Finance Australia for 2 years. Jiajun Li holds a Risk Management master degree of University of NSW.

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Pin Yin was appointed to be Company Secretary in February 2012. She has been engaged in the healthcare industry for 7 years and is experienced in management and training. She is also responsible for communication between the administrative departments and the factory; and is responsible for secretarial services to the board of directors.

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Liangchao Chen	3	3	-	-	1	1
Colin Guang Zheng	3	3	-	-	1	1
Zhimin Xiong	3	3	-	-	1	1
Peng Yu	3	3	-	-	-	-
Enhua Huang	3	3	-	-	1	1

Held: represents the number of meetings held during the time the director held office.

**Remuneration report (audited)**

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Company's directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The aims of the Nomination and Remuneration Committee is to structure a remuneration framework that is market competitive and complementary to the reward strategy and goals of the consolidated entity.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.



**Australia Samly Holdings Group Limited**  
**Directors' report**  
**30 June 2014**

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

*Executive remuneration*

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- performance incentives

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

*Voting and comments made at the Company's 2014 Annual General Meeting ('AGM')*

The Company has yet to present a Remuneration Report before an AGM for approval as this is the first full remuneration report since listing on the APX.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Australia Samly Holdings Group Limited:

- Liangchao Chen
- Colin Guang Zheng
- Zhimin Xiong
- Peng Yu
- Enhua Huang
- Ying Yao

**Australia Samly Holdings Group Limited**  
**Directors' report**  
**30 June 2014**

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
Liangchao Chen	41,217	-	-	1,330	-	-	42,547
Peng Yu	35,695	-	-	1,328	-	-	37,023
Enhua Huang	30,667	-	-	1,328	-	-	31,995
	<u>107,579</u>	<u>-</u>	<u>-</u>	<u>3,986</u>	<u>-</u>	<u>-</u>	<u>111,565</u>

Ying Yao was appointed as a director on 27 June 2014. She did not receive any remuneration as a director during the year. Ying Yao was employed as Group Procurement Controller, and remains responsible for that position. She received a salary of RMB 96,000 (\$17,019) including superannuation during the year.

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
Liangchao Chen	18,698	-	-	1,497	-	-	20,195
Peng Yu	27,633	-	-	1,136	-	-	28,769
Enhua Huang	14,793	-	-	979	-	-	15,772
	<u>61,124</u>	<u>-</u>	<u>-</u>	<u>3,612</u>	<u>-</u>	<u>-</u>	<u>64,736</u>

No payments were made to Non-Executive Directors, Colin Guang Zheng and Zhimin Xiong, in the years ended 30 June 2014 and 30 June 2013.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
<i>Executive Directors:</i>						
Liangchao Chen	100%	100%	-%	-%	-%	-%
Peng Yu	100%	100%	-%	-%	-%	-%
Enhua Huang	100%	100%	-%	-%	-%	-%

**Service agreements**

Remuneration and other terms of employment for executive members of key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Liangchao Chen
Title:	Executive Director and Chairman
Agreement commenced:	25 January 2013
Term of agreement:	Not fixed
Details:	Base salary of RMB 240,000 plus superannuation, plus a bonus of 5-50% upon achievement of set KPI's as agreed by the Nomination and Remuneration Committee approval, non-solicitation and non-compete clauses.

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Name: Peng Yu  
Title: Chief Executive Officer  
Agreement commenced: 25 January 2013  
Term of agreement: Up to 24 January 2016  
Details: Base salary of RMB 216,000 plus superannuation, plus a bonus of 5-50% upon achievement of set KPI's as agreed by the Nomination and Remuneration Committee approval, non-solicitation and non-compete clauses.

Name: Enhua Huang  
Title: Executive Director and Chief Financial Officer  
Agreement commenced: 25 January 2013  
Term of agreement: Up to 24 January 2016  
Details: Base salary of RMB 180,000 plus superannuation, bonus of 5-50% upon achievement of KPI's as agreed by the Nomination and Remuneration Committee approval, non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the years ended 30 June 2014 and 30 June 2013.

*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2014 or at 30 June 2013.

There were no options over ordinary shares granted to or that vested with directors and other key management personnel as part of compensation during the year ended 30 June 2014 or during the year ended 30 June 2013.

***Additional information***

The earnings of the consolidated entity for the four years to 30 June 2014 are summarised below:

	2011	2012	2013	2014
	\$	\$	\$	\$
Sales revenue	3,698,617	5,281,799	8,722,211	12,686,815
EBIT	356,087	517,731	1,440,776	310,905
Profit after income tax	291,301	388,408	1,085,065	65,248

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

*Shareholding*

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Liangchao Chen	21,300,000	-	426,000	-	21,726,000
Peng Yu	5,000	-	-	-	5,000
Enhua Huang	5,000	-	-	-	5,000
	<u>21,310,000</u>	<u>-</u>	<u>426,000</u>	<u>-</u>	<u>21,736,000</u>

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**Directors' report**  
**30 June 2014**

***Loans from key management personnel***

Mr Lianchao Chen provided loans to the Company of RMB 10,396,100 (2013: RMB 20,948,279) which equates to \$1,790,856 at 30 June 2014 (2013:\$3,653,683). Loans provided are interest free and are at call.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

There were no unissued ordinary shares of Australia Samly Holdings Group Limited under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of Australia Samly Holdings Group Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

**Officers of the Company who are former audit partners of BDO East Coast Partnership**

There are no officers of the Company who are former audit partners of BDO East Coast Partnership.

**Auditor's independence declaration**

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


**Australia Samly Holdings Group Limited**  
**Directors' report**  
**30 June 2014**

**Auditor**

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



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Lingchao Chen  
Executive Chairman

30 September 2014

**DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF AUSTRALIA SAMLY HOLDINGS GROUP LIMITED**

As lead auditor of Australia Samly Holdings Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australia Samly Holdings Group Limited and the entities it controlled during the period.



James Mooney  
Partner

**BDO East Coast Partnership**

Melbourne, 30 September 2014

## **CORPORATE GOVERNANCE STATEMENT**

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The Board of Directors is responsible for the operational and financial performance of the group, including its corporate governance. The group believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Board Charter**

The Board is accountable to shareholders for the performance of the group. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. Executive directors are employed pursuant to employment agreements.

#### **Evaluation of the performance of senior executives**

The performance of senior executives is evaluated in accordance with the Performance Evaluation Process. A performance evaluation for senior executives will take place subsequent to the end of the reporting period and will be carried out in accordance with the process disclosed.

### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

#### **Composition of the Board**

The Board consists of the Executive Chairman, Executive Director and two Executive Directors and two non-executive directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The roles of Chairman and the Executive Director are exercised by the same individual. The Board Charter summarises the roles and responsibilities of Liangchao Chen.

#### **Independence of non-executive directors**

The Board has assessed the independence of the non-executive directors. Colin Guang Zheng and Zhimin Xiong are regarded as independent as they are not substantial shareholders as defined by the *Corporations Act*.

#### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee consists of five members and is chaired by Mr Colin Guang Zheng, who is an independent non-executive director.

The Nomination and Remuneration Committee Charter sets out its role, responsibilities and membership requirements.

For information on the skills, experience and expertise of the Nomination and Remuneration Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Nomination and Remuneration Committee are included in the Directors' Report.

#### **Board renewal and succession planning**

The appointment of directors is governed by the group's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the group, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

## **Australia Samly Holdings Group Limited Corporate governance statement**

The group has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the group Secretary is a matter for the Board. Information on the skills, experience and qualifications of the group Secretary can be found in the Directors' Report.

### **Evaluation of the performance of the Board, its committees and individual directors**

The performance of the Board, its committees and individual directors are evaluated in accordance with the Performance Evaluation Process. Performance evaluations of the Board, the Nomination and Remuneration Committee, the Audit and Risk Committee and individual directors will take place subsequent to the end of the reporting period and will be carried out in accordance with the Performance Evaluation Process.

### **Induction and education**

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

### **Access to information and advice**

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the group's expense in relation to the execution of their duties, after consultation with the Chairman.

## **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

### **Code of Conduct**

The Board has adopted a Code of Conduct which applies to all directors and officers of the group. It sets out the Company's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards.

### **Diversity Policy**

The Board has adopted a Diversity Policy which sets out the group's aims and practices in relation to recognising and respecting diversity in employment. The Policy reinforces the group's commitment to actively managing diversity as a means of enhancing the group's performance by recognising and utilising the contributions of diverse skills and talent from its employees.

## **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

### **Audit and Risk Committee**

The Audit and Risk Committee consists of four members and is chaired by an independent non-executive director Zhimin Xiong.

The Audit and Risk Committee Charter sets out its role, responsibilities and membership requirements. For information on the skills, experience and expertise of the Audit and Risk Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Audit and Risk Committee are included in the Directors' Report.

### **External auditor**

Consistent with its Charter, the Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The group's independent external auditor is BDO East Coast Partnership.



## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the group's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

The Shareholder Communications Policy sets out the consolidate entity's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the consolidate entity's commitment to promoting investor confidence by requiring:

- compliance with the continuous disclosure obligations;
- compliance with insider trading laws;
- compliance with financial reporting obligations;
- compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the consolidated entity;
- communication with shareholders in a clear, regular, timely and transparent manner; and
- response to shareholder queries in a prompt and courteous manner.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **Risk Management Policy**

The group recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the consolidate entity. As a result, the Board has adopted a Risk Management Policy which sets out the consolidate entity's system of risk oversight, management of material business risks and internal control.

### **Risk oversight**

The group's risk management framework is supported by the Board of Directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee also has delegated responsibilities in relation to risk management and the financial reporting process as set out in the Audit and Risk Committee Charter. Further detail regarding the Audit and Risk Committee can be found above at Principle 4: Safeguarding integrity in financial reporting.

### **Reporting and assurance**

When considering the Audit and Risk Committee's review of financial reports, the Board receives a written declaration in accordance with section 295A of the *Corporations Act*, signed by the Executive Chairman and Executive Director, that the group's financial reports give a true and fair view, in all material respects of the consolidated entity's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the consolidated entity's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Similarly, in a separate written statement the executive Chairman and the Chairman of the Audit and Risk Committee also confirm to the Board that the group's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

**Nomination and Remuneration Committee**

The Nomination and Remuneration Committee has delegated responsibilities in relation to the group's remuneration policies as set out in the Nomination and Remuneration Committee Charter. Further detail regarding the Nomination and Remuneration Committee can be found above at Principle 2: Structure the board to add value.

**Non-executive directors' remuneration policy**

The structure of non-executive directors' remuneration is clearly distinguished from that of executives. Non-executive directors do not receive performance related compensation. Neither the non-executive directors nor the executives of the group receive any retirement benefits.

**Executive directors' remuneration policy**

As noted previously, the Executive Chairman and Executive Director are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

**Australia Samly Holdings Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2014**

	<b>Note</b>	<b>Consolidated 2014 \$</b>	<b>2013 \$</b>
<b>Revenue</b>	5	12,687,688	8,725,990
<b>Expenses</b>			
Cost of sales		(6,549,446)	(5,105,197)
Administration		(2,053,101)	(796,235)
Sales expenses		(2,152,674)	(810,614)
Marketing		(1,517,366)	(433,921)
Other expenses		(10,155)	(138,649)
Finance costs		(94,042)	(598)
<b>Profit before income tax expense</b>	6	310,904	1,440,776
Income tax expense	7	(245,656)	(355,711)
<b>Profit after income tax expense for the year attributable to the owners of Australia Samly Holdings Group Limited</b>		65,248	1,085,065
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(36,596)	245,805
Other comprehensive income for the year, net of tax		(36,596)	245,805
<b>Total comprehensive income for the year attributable to the owners of Australia Samly Holdings Group Limited</b>		<u>28,652</u>	<u>1,330,870</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34	0.21	3.62
Diluted earnings per share	34	0.21	3.62

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Australia Samly Holdings Group Limited**  
**Statement of financial position**  
**As at 30 June 2014**

	Note	Consolidated 2014 \$	2013 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	5,738,890	2,323,532
Trade and other receivables	9	1,809,182	623,363
Inventories	10	2,519,678	2,706,325
Other	11	1,224,315	594,823
Total current assets		<u>11,292,065</u>	<u>6,248,043</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	4,083,435	4,394,482
Intangibles	13	581,714	640,389
Deferred tax	14	148,532	165,877
Other	15	63,061	120,306
Total non-current assets		<u>4,876,742</u>	<u>5,321,054</u>
<b>Total assets</b>		<u>16,168,807</u>	<u>11,569,097</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	2,987,684	2,101,151
Borrowings	17	4,426,470	4,179,436
Income tax	18	438,746	637,789
Employee benefits	19	178,495	140,108
Other	20	2,173,216	2,636,717
Total current liabilities		<u>10,204,611</u>	<u>9,695,201</u>
<b>Total liabilities</b>		<u>10,872,494</u>	<u>9,695,201</u>
<b>Net assets</b>		<u>5,964,196</u>	<u>1,873,896</u>
<b>Equity</b>			
Issued capital	21	4,095,429	33,781
Reserves	22	424,696	415,367
Retained profits		<u>1,444,071</u>	<u>1,424,748</u>
<b>Total equity</b>		<u>5,964,196</u>	<u>1,873,896</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Australia Samly Holdings Group Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2014**

	Issued capital \$	Foreign currency translation reserve \$	Retained earnings \$	Surplus reserve \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2012	211,340	11,257	448,189	49,799	720,585
Profit after income tax expense for the year	-	-	1,085,065	-	1,085,065
Other comprehensive income for the year, net of tax	-	245,805	-	-	245,805
Total comprehensive income for the year	-	245,805	1,085,065	-	1,330,870
<i>Transactions with owners in their capacity as owners:</i>					
Increase in contributed equity	2,257,846	-	-	-	2,257,846
Repayment of contributed equity	(2,462,985)	-	-	-	(2,462,985)
Foreign currency translation difference	(2,420)	-	-	-	(2,420)
Initial capital of Australian entity	30,000	-	-	-	30,000
Transfer to surplus reserve	-	-	(108,506)	108,506	-
Balance at 30 June 2013	<u>33,781</u>	<u>257,062</u>	<u>1,424,748</u>	<u>158,305</u>	<u>1,873,896</u>
	Issued Capital \$	Foreign currency translation reserve \$	Retained profits \$	Surplus reserve \$	Total equity \$
<b>Consolidated</b>					
Balance at 1 July 2013	33,781	257,062	1,424,748	158,305	1,873,896
Profit after income tax expense for the year	-	-	65,248	-	65,248
Other comprehensive income for the year, net of tax	-	(36,596)	-	-	(36,596)
Total comprehensive income for the year	-	(36,596)	65,248	-	28,652
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	4,061,648	-	-	-	4,061,648
Transfer to surplus reserve	-	-	(45,925)	45,925	-
Balance at 30 June 2014	<u>4,095,429</u>	<u>220,466</u>	<u>1,444,071</u>	<u>204,230</u>	<u>5,964,196</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

**Australia Samly Holdings Group Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2014**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		10,792,000	11,733,039
Payments to suppliers (inclusive of GST)		(11,249,885)	(10,469,069)
Interest received		15,956	2,010
Insurance claim proceeds		-	188,167
Income taxes paid		<u>(427,352)</u>	<u>(372,595)</u>
Net cash from/(used in) operating activities	33	<u>(869,281)</u>	<u>1,081,552</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(106,092)	(3,623,922)
Payments for intangibles		<u>-</u>	<u>(599,062)</u>
Net cash used in investing activities		<u>(106,092)</u>	<u>(4,222,984)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		4,636,500	2,257,846
Proceeds from borrowings		2,118,826	2,794,953
Share issue transaction costs		(574,852)	-
Repayment of borrowings		<u>(1,800,218)</u>	<u>(349,191)</u>
Net cash from financing activities		<u>3,712,373</u>	<u>4,703,608</u>
Net increase in cash and cash equivalents		3,404,883	1,562,176
Cash and cash equivalents at the beginning of the financial year		2,323,532	585,276
Effects of exchange rate changes on cash and cash equivalents		<u>10,475</u>	<u>176,080</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>5,738,890</u></u>	<u><u>2,323,532</u></u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 1. General information**

The financial statements cover Australia Samly Holdings Group Limited as a consolidated entity consisting of Australia Samly Holdings Group Limited and its subsidiaries. The financial statements are presented in Australian Dollars, which is Australia Samly Holdings Group Limited's presentation currency and the functional currency of the parent entity. The functional currency of the operating companies is the Chinese Yuan Renminbi ("RMB"). All amounts are translated to the presentation currency of the parent entity.

Australia Samly Holdings Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

C/- Baker & Mackenzie  
AMP Centre, Level 27  
50 Bridge Street  
Sydney, NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2014. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**New, revised or amending Accounting Standards and Interpretations adopted**

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 10 Consolidated Financial Statements*

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. Application of this AASB has not impacted the composition of the consolidated group.

*AASB 12 Disclosure of Interests in Other Entities*

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

**Note 2. Significant accounting policies (continued)**

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used. The application of this standard does not significantly impact the financial report of the consolidated entity.

*AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken. Application of AASB 119 has not materially impacted the consolidated entity.

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement*

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australia Samly Holdings Group Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Australia Samly Holdings Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.



**Note 2. Significant accounting policies (continued)**

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Australia Samly Holdings Group Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*

The group manufactures and sells a range of nutrition products in the wholesale market. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The nutrition products are often sold with volume discounts and customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Actual performance is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on actual annual purchases.

**Note 2. Significant accounting policies (continued)**

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

**Note 2. Significant accounting policies (continued)**

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant & equipment	10 years
Fixtures & fittings	3 - 10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Intangible assets**

*Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

*Rights to use land*

Rights to use land have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of rights to use land over the contracted period, which is 50 years for industry usage.

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

**Note 2. Significant accounting policies (continued)**

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Note 2. Significant accounting policies (continued)**

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australia Samly Holdings Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

**Note 2. Significant accounting policies (continued)**

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

*AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

*AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

*Annual Improvements to IFRSs 2010-2012 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2015 will not have a material impact on the consolidated entity.

**Note 2. Significant accounting policies (continued)**

*Annual Improvements to IFRSs 2011-2013 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2015 will not have a material impact on the consolidated entity.

*IFRS 15 Revenue*

In May 2014 the IASB issued IFRS 15 *Revenue* which sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). The Company has yet to consider the impacts of this standard on the consolidated entity.

**Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold are written off or written down.

*Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 4. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into three operating segments: Production, New Life and Technology, plus a corporate segment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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**Note 4. Operating segments (continued)**

The CODM reviews NPBT (Net Profit Before Tax). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

*Types of products and services*

The principal products and services of each of these operating segments are as follows:

Production	Manufacture and sale of nutrition and dietary supplements
New Life	The purchase and resale of finished goods in the nutrition market
Technology	Research and the purchase and resale of supplements
Corporate	Administration of corporate head office and management of the consolidated entity's compliance requirements in relation to the APX and ASIC

*Operating segment information*

<b>Consolidated - 2014</b>	Production \$	New Life \$	Technology \$	Corporate \$	Total \$
<b>Revenue</b>					
Sales to external customers	11,107,227	164,683	1,406,458	-	12,670,859
Interest received	8,436	140	7,369	10	15,955
Other revenue	-	-	-	874	874
<b>Total revenue</b>	<u>11,115,663</u>	<u>164,683</u>	<u>1,406,458</u>	<u>884</u>	<u>12,687,688</u>
<b>Segment result</b>	<u>127,692</u>	<u>(26,458)</u>	<u>335,524</u>	<u>(125,854)</u>	<u>310,904</u>
<b>Profit/(loss) before income tax expense</b>	<u>127,692</u>	<u>(26,458)</u>	<u>335,524</u>	<u>(125,854)</u>	<u>310,904</u>
Income tax expense					(245,656)
<b>Profit after income tax expense</b>					<u>65,248</u>
<b>Assets</b>					
Segment assets	11,807,909	37,325	191,104	4,132,469	16,168,807
<b>Total assets</b>					<u>16,168,807</u>
<b>Liabilities</b>					
Segment liabilities	7,739,974	117,825	591,488	1,755,324	10,204,611
<b>Total liabilities</b>					<u>10,204,611</u>
<b>Consolidated - 2013</b>	Production \$	New Life \$	Technology \$	Corporate \$	Total \$
<b>Revenue</b>					
Sales to external customers	7,829,745	126,100	761,847	-	8,717,692
Interest received	4,519	-	-	-	4,519
Other revenue	1,378	-	-	2,401	3,779
<b>Total revenue</b>	<u>7,835,642</u>	<u>126,100</u>	<u>761,847</u>	<u>2,401</u>	<u>8,725,990</u>
<b>Segment result</b>	<u>1,591,935</u>	<u>4,005</u>	<u>(157,565)</u>	<u>2,401</u>	<u>1,440,776</u>
<b>Profit/(loss) before income tax expense</b>	<u>1,591,935</u>	<u>4,005</u>	<u>(157,565)</u>	<u>2,401</u>	<u>1,440,776</u>
Income tax expense					(355,711)
<b>Profit after income tax expense</b>					<u>1,085,065</u>
<b>Assets</b>					
Segment assets	10,325,850	112,425	1,093,836	36,986	11,569,097
<b>Total assets</b>					<u>11,569,097</u>
<b>Liabilities</b>					
Segment liabilities	5,990,620	134,411	766,152	2,804,018	9,695,201
<b>Total liabilities</b>					<u>9,695,201</u>



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**Note 4. Operating segments (continued)**

*Geographical information*

	Sales to external customers		Geographical non-current assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
China	<u>12,687,688</u>	<u>8,725,990</u>	<u>4,728,210</u>	<u>5,155,177</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

**Note 5. Revenue**

	Consolidated	
	2014	2013
	\$	\$
<i>Sales revenue</i>		
Sales of goods	12,666,265	8,192,238
Sales of raw materials	<u>4,594</u>	<u>525,454</u>
	<u>12,670,859</u>	<u>8,717,692</u>
<i>Other revenue</i>		
Interest	15,955	4,519
Other revenue	<u>874</u>	<u>3,779</u>
	<u>16,829</u>	<u>8,298</u>
Revenue	<u>12,687,688</u>	<u>8,725,990</u>

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**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	254,308	55,074
Fixtures and fittings	12,058	5,916
Motor vehicles	41,657	5,170
	<u>308,023</u>	<u>66,160</u>
Total depreciation		
<i>Amortisation</i>		
Patents and trademarks	44,320	29,018
Rights to use land	4,824	4,371
	<u>49,144</u>	<u>33,389</u>
Total amortisation		
Total depreciation and amortisation	<u>357,167</u>	<u>99,549</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	199,229	94,031
	<u>199,229</u>	<u>94,031</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	120,429	158,505
	<u>120,429</u>	<u>158,505</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	1,671,530	936,453
	<u>1,671,530</u>	<u>936,453</u>

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**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense</i>		
Current tax	230,717	413,262
Deferred tax - origination and reversal of temporary differences	14,939	(57,551)
	<u>245,656</u>	<u>355,711</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 14)	14,939	(57,551)
	<u>14,939</u>	<u>(57,551)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	310,904	1,440,776
	<u>310,904</u>	<u>1,440,776</u>
Tax at the statutory tax rate of 30%	93,271	432,233
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	33,466	2,843
Other disallowable/deductible expenses	21,322	(7,326)
	<u>148,059</u>	<u>427,750</u>
Current year tax losses not recognised	118,947	-
Difference in overseas tax rates	(21,350)	(72,039)
	<u>148,059</u>	<u>427,750</u>
Income tax expense	<u>245,656</u>	<u>355,711</u>

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	116,096	-
	<u>116,096</u>	<u>-</u>
Potential tax benefit @ 30%	34,829	-
	<u>34,829</u>	<u>-</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the loss making entity generates taxable income and the continuity of ownership test is passed, or failing that, the same business test is passed.

**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	5,661	5,029
Cash at bank	5,733,229	2,318,503
	<u>5,738,890</u>	<u>2,323,532</u>

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**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,549,692	610,545
Less: Provision for impairment of receivables	(15,694)	(77,521)
	<u>1,533,998</u>	<u>533,024</u>
Other receivables	<u>275,184</u>	<u>90,339</u>
	<u><u>1,809,182</u></u>	<u><u>623,363</u></u>

*Impairment of receivables*

The ageing of the impaired receivables provided for above are as follows:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Over 12 months overdue	<u>15,694</u>	<u>77,521</u>

Movements in the provision for impairment of receivables are as follows:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opening balance	77,521	31,073
Additional provisions recognised	74,229	56,610
Foreign exchange difference	438	8,256
Receivables written off during the year as uncollectable	(55,825)	(18,418)
Unused amounts reversed	<u>(80,669)</u>	<u>-</u>
Closing balance	<u><u>15,694</u></u>	<u><u>77,521</u></u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$1,044,105 as at 30 June 2014 (\$201,260 as at 30 June 2013).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
0 to 30 days overdue	413,815	2,789
30 to 60 days overdue	2,220	28,553
60 to 90 days overdue	380,965	37,815
Over 90 days overdue	<u>247,105</u>	<u>132,103</u>
	<u><u>1,044,105</u></u>	<u><u>201,260</u></u>

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**Note 10. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Raw materials - at cost	1,219,296	1,942,725
Finished goods - at cost	1,300,382	763,600
	<u>2,519,678</u>	<u>2,706,325</u>

**Note 11. Current assets - other**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<u>1,224,315</u>	<u>594,823</u>

*Prepayments*

\$852,299 relates to the purchase of raw materials that have yet to be delivered by suppliers (2013: \$459,589).

The remainder relates to insurance and advertising contracts. The group's operating entities in China have entered into long term and short term advertising and marketing contracts in relation to the consolidated entity's brand and products. In accordance with the contracts, full payments are required before any service is provided. Amounts paid are prepaid and recognised as an expense in profit or loss as the services paid for are consumed.

**Note 12. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment - at cost	4,591,641	890,911
Less: Accumulated depreciation	(508,206)	(203,656)
	<u>4,083,435</u>	<u>687,255</u>
Plant and equipment under construction - at cost	-	3,707,227
	<u>4,083,435</u>	<u>4,394,482</u>

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**Note 12. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Plant under construction \$	Fixtures & fittings \$	Plant & equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2012	-	16,022	337,410	-	353,432
Additions	3,296,132	-	136,309	191,481	3,623,922
Disposals	-	-	(142)	-	(142)
Exchange differences	411,095	1,063	48,035	23,237	483,430
Depreciation expense	-	(5,916)	(55,074)	(5,170)	(66,160)
Balance at 30 June 2013	3,707,227	11,169	466,538	209,548	4,394,482
Additions	94,000	3,849	-	8,243	106,092
Exchange differences	(63,224)	(658)	(7,489)	(3,574)	(74,945)
Transfers in/(out)	(3,738,003)	27,420	3,676,412	-	(34,171)
Depreciation expense	-	(12,058)	(254,308)	(41,657)	(308,023)
Balance at 30 June 2014	-	29,722	3,881,153	172,560	4,083,435

**Note 13. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
Patents and trademarks - at cost	430,656	438,128
Less: Accumulated amortisation	(71,589)	(29,018)
	<u>359,067</u>	<u>409,110</u>
Rights to use land - at cost	231,631	235,650
Less: Accumulated amortisation	(8,984)	(4,371)
	<u>222,647</u>	<u>231,279</u>
	<u><u>581,714</u></u>	<u><u>640,389</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Rights to use land \$	Patents & trademarks \$	Total \$
Balance at 1 July 2012	-	-	-
Additions	209,518	389,544	599,062
Exchange differences	26,131	48,584	74,715
Amortisation expense	(4,370)	(29,018)	(33,388)
Balance at 30 June 2013	231,279	409,110	640,389
Exchange differences	(3,808)	(5,723)	(9,531)
Amortisation expense	(4,824)	(44,320)	(49,144)
Balance at 30 June 2014	<u>222,647</u>	<u>359,067</u>	<u>581,714</u>

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 14. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	143,878	146,477
Impairment of receivables	3,944	19,400
Employee benefits	710	-
	<u>148,532</u>	<u>165,877</u>
Deferred tax asset	<u>148,532</u>	<u>165,877</u>
<i>Movements:</i>		
Opening balance	165,877	90,929
Credited/(charged) to profit or loss (note 7)	(14,939)	57,551
Exchange differences	(2,406)	17,397
	<u>148,532</u>	<u>165,877</u>

Under Chinese tax regulations tax losses may be carried forward for 5 years. Each company within the consolidated entity is taxed individually, and tax losses cannot be transferred between companies within the consolidated entity.

**Note 15. Non-current assets - other**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<u>63,061</u>	<u>120,306</u>

*Prepayments*

Prepayments relate to amounts paid in relation to raw materials yet to be delivered.

**Note 16. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,962,181	763,109
Sales taxes payable	1,016,213	1,253,065
Other payables	9,290	84,977
	<u>2,987,684</u>	<u>2,101,151</u>

Refer to note 24 for further information on financial instruments.

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 17. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Bank loans	2,635,614	525,753
Loan from director	1,790,856	3,653,683
	<u>4,426,470</u>	<u>4,179,436</u>

Refer to note 24 for further information on financial instruments.

In April 2014 the Company took out a bank loan with Industrial Bank Co., Ltd Shenzhen Branch is secured against private assets pledged by Mr Chen, the Chairman and executive director of the Company, and a guarantee of RMB 3.1 million provided by Mr Chen. The balance of the loan at 30 June 2014 was RMB 12.3 million (\$2.119 million). The loan carries an interest rate of 4.8% per annum and is repayable on 11 April 2015. The Company's other short term bank loan of RMB 3 million (\$0.516 million), from Ping An Bank Co., Ltd, had an interest rate of 7.8% and was repaid in July 2014.

The Director's loan was from Mr Chen, the Chairman, and is unsecured, interest free and at call.

**Note 18. Current liabilities - income tax**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Provision for income tax	438,746	637,789

**Note 19. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	178,495	140,108

**Note 20. Current liabilities - other**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Deferred revenue	2,173,216	2,636,717

Customers are required to make payments before goods are delivered. Sales of goods are recognised only when products have been delivered to the customer and the rights and risks of ownership have fully passed to the customer.



**Australia Samly Holdings Group Limited**  
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**30 June 2014**

**Note 21. Equity - issued capital**

	<b>2014</b>	<b>Consolidated</b>		
	<b>Shares</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	34,636,500	30,000,000	4,095,429	33,781

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2012	-		211,340
Issued on incorporation		30,000,000	\$0.01	30,000
Acquisition of China group and return of capital		-		(211,340)
Foreign exchange difference		-		3,781
Balance	30 June 2013	30,000,000		33,781
Shares issued completion of initial public offering	6 March 2014	4,636,500	\$1.00	4,636,500
Costs of equity raising		-		(574,852)
Balance	30 June 2014	<u>34,636,500</u>		<u>4,095,429</u>

*Ordinary shares*

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

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

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

**Note 22. Equity - reserves**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	220,466	257,062
Surplus profits reserve	204,230	158,305
	<u>424,696</u>	<u>415,367</u>

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
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**Note 22. Equity - reserves (continued)**

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

*Surplus profit reserve*

Under Chinese tax regulations local companies are required to set aside 10% of profits.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Foreign currency \$	Surplus profit \$	Total \$
Balance at 1 July 2012	11,257	49,799	61,056
Foreign currency translation	245,805	-	245,805
Transfer from profits	-	108,506	108,506
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2013	257,062	158,305	415,367
Foreign currency translation	(36,596)	-	(36,596)
Transfer from profits	-	45,925	45,925
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2014	<u>220,466</u>	<u>204,230</u>	<u>424,696</u>

**Note 23. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 24. Financial instruments**

***Financial risk management objectives***

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

The Company's risk management framework is supported by the Board, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the group and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Group has exposure to the following risks from their use of financial instruments:

- market risk
- credit risk
- liquidity risk

**Note 24. Financial instruments (continued)**

**Market risk**

*Foreign currency risk*

The consolidated entity conducts all of its business operations in the People's Republic of China. The functional currency of the operating companies is the Chinese Yuan Renminbi. The presentation currency of the consolidated entity is the Australian Dollar. Consequently, the results and balances of the consolidated entity's operations are translated from the functional currency to the presentation currency for reporting purposes. Changes in the foreign exchange rate therefore impact results and carrying value of assets and liabilities of the consolidated entity. As there is not a significant flow of capital between the subsidiary companies and parent entity, no risk management policies have been established as yet to manage foreign currency risk.

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	2014	2013	2014	2013
<b>Australian dollars</b>				
Chinese Yuan Renminbi	5.6409	6.4177	5.8051	5.7061

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2014	2013	2014	2013
Consolidated	\$	\$	\$	\$
Chinese Yuan Renminbi	<u>3,464,048</u>	<u>2,916,895</u>	<u>7,820,200</u>	<u>5,024,952</u>

Based on this exposure, had the Australian dollar strengthened or weakened by 5% (2013: 5%) against the Chinese Yuan Renminbi with all other variables held constant, the consolidated entity's profit after tax for the year would have been \$9,169 higher/lower (2013: \$54,254 higher/lower) and equity would have been \$217,808 higher/lower (2013: \$105,403 higher/lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last two years.

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. All borrowings from bank loans are at fixed rates.

Loans received from directors and shareholders are interest free and therefore not subject to interest rate risk.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Note 24. Financial instruments (continued)

	Consolidated	
	2014	2013
	\$	\$
<b>Carrying value of financial assets</b>		
Cash and cash equivalents	5,738,890	2,323,532
Trade and other receivable	1,809,182	623,363
	<u>7,548,072</u>	<u>2,946,895</u>

Trade receivables are managed closely by credit controllers with the consolidated entity to ensure exposure to bad debts is minimised. Historically, based on records and industry experience, the average turnover days are no longer than 30 days.

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities. There were no changes in the group's liquidity risk management policies from previous years.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2014	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	1,971,471	-	-	-	1,971,471
BAS payables	-%	1,016,213	-	-	-	1,016,213
Loan from directors	-%	1,790,856	-	-	-	1,790,856
<i>Interest-bearing - variable</i>						
Bank loans	5.40%	2,635,614	-	-	-	516,787
Total non-derivatives		<u>7,414,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,414,154</u>

Consolidated - 2013	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	848,086	-	-	-	848,086
Sales tax payables	-%	1,253,965	-	-	-	1,253,965
Loan from directors	-%	3,653,683	-	-	-	3,653,683
<i>Interest-bearing - variable</i>						
Bank loans	7.80%	525,753	-	-	-	525,753
Total non-derivatives		<u>6,281,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,281,487</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
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**Note 24. Financial instruments (continued)**

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 25. Key management personnel disclosures**

*Directors*

The following persons were directors of Australia Samly Holdings Group Limited during the financial year:

Liangchao Chen	Executive Director and Chairman
Colin Guang Zheng	Non-Executive Director
Zhimin Xiong	Non-Executive Director
Peng Yu	Executive Director and Chief Executive Officer
Enhua Huang	Executive Director and Chief Financial Officer
Ying Yao	Executive Director and Group Procurement Officer

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	123,270	61,124
Post-employment benefits	5,314	3,612
	<u>128,584</u>	<u>64,736</u>

**Note 26. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the Company, and its network firms:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - BDO East Coast Partnership (2013: BDO Audit (WA) Pty Ltd)</i>		
Audit or review of the financial statements	30,000	54,327
<i>Other services - BDO East Coast Partnership (2013: BDO Audit (WA) Pty Ltd)</i>		
Taxation report	-	5,000
Independent accountant's report	-	20,000
Half year report review (BDO Audit (WA) Pty Ltd)	22,440	-
	<u>22,440</u>	<u>25,000</u>
	<u>52,440</u>	<u>79,327</u>
<i>Audit services - BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch</i>		
Audit or review of the financial statements	31,023	99,072

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 27. Contingent liabilities**

The consolidated entity has no contingent liabilities as at 30 June 2014 (2013: None).

**Note 28. Commitments**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	199,425	188,552
One to five years	354,434	106,394
	<u>553,859</u>	<u>294,946</u>

**Note 29. Related party transactions**

*Parent entity*

Australia Samly Holdings Group Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 31.

*Key management personnel*

Disclosures relating to key management personnel are set out in the remuneration report in the directors' report.

*Transactions with related parties*

There were no transactions with other related parties during the current and previous financial year.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 30. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(116,096)	-
Total comprehensive income	(116,096)	-

*Statement of financial position*

	<b>Parent</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Total current assets	4,094,123	30,000
Total assets	4,094,123	30,000
Total current liabilities	148,571	-
Total liabilities	148,571	-
Equity		
Issued capital	4,061,648	30,000
Accumulated losses	(116,096)	-
Total equity	<u>3,945,552</u>	<u>30,000</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014 and 30 June 2013.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 31. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2014 %	2013 %
Samly (Int'l) Bio-tech Co., Limited	Hong Kong	100.00%	100.00%
Orient Samly Trading (Shenzhen) Co., Ltd	China	100.00%	100.00%
Shenzhen Vitality Bio-health Technology Co., Ltd	China	100.00%	100.00%
Shenzhen Vitality Bio-health Technology Jiangsu Co., China Ltd		100.00%	100.00%
Shenzhen Shenxiantang Technology Development Co., Ltd	China	100.00%	100.00%
Shenzhen New Life Biological Technology Co., Ltd	China	100.00%	100.00%
Shenzhen Samly Technology Development Co., Ltd	China	100.00%	100.00%

Australia Samly holds 100% in Samly (Int'l) Bio-tech Co., Limited (Company Number 1812692) ("Samly International"), a company registered in Hong Kong. Samly International in turn holds 100% of the issued share capital in Orient Samly Trading (Shenzhen) Co., Ltd, a PRC holding company and wholly-owned foreign company (WFOE). Samly International and the WFOE are not operating entities.

The WFOE holds Shenzhen Vitality Bio-health Technology Co., Ltd ("Shenzhen Samly"), the Group's main operating company. Shenzhen Samly directly owns four wholly-owned PRC companies:

- Shenzhen Vitality Bio-health Technology Jiangsu Co., Ltd - founded in July 2012 with registered capital at 15 million RMB, registered at Ruisheng Avenue, Yongjia road, Economic Development Zone, Shuyang, Jiangsu. Its main business activity is the research and development of biological products.
- Shenzhen Shenxiantang Technology Development Co., Ltd - founded in February 2012 with registered capital at 100,000 RMB, registered at Room 413, Block B, Century Holiday Plaza, Shennan road, Nanshan district, Shenzhen. Its main business activity is import and export trading.
- Shenzhen New Life Biological Technology Co., Ltd - founded in November 2005 with registered capital at 500,000 RMB registered at Block B, Dazhi Industry Park, Tangwei Community, Guangming New District, Shenzhen. Its main business activity is the wholesale of pre-packaged food products.
- Shenzhen Samly Technology Development Co., Ltd - founded in 2003 with registered capital at 1 million RMB, registered at Room 403, Block B, Century Holiday Plaza, Shennan Road, Nanshan District, Shenzhen. Its main business activity is the wholesale of health food.

**Note 32. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



**Australia Samly Holdings Group Limited**  
**Notes to the financial statements**  
**30 June 2014**

**Note 33. Reconciliation of profit after income tax to net cash from/(used in) operating activities**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	65,248	1,085,065
Adjustments for:		
Depreciation and amortisation	357,166	88,463
Net loss on disposal of property, plant and equipment	-	142
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,185,820)	7,750
Decrease/(increase) in inventories	186,647	(381,159)
Decrease/(increase) in deferred tax assets	17,346	(57,551)
Increase in prepayments	(407,670)	(148,630)
Increase in other operating assets	(164,577)	(28,270)
Increase/(decrease) in trade and other payables	1,123,871	(347,703)
Increase/(decrease) in provision for income tax	(435,895)	719,804
Increase in employee benefits	38,387	64,964
Increase/(decrease) in other operating liabilities	(463,984)	78,677
Net cash from/(used in) operating activities	<u>(869,281)</u>	<u>1,081,552</u>

**Note 34. Earnings per share**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax attributable to the owners of Australia Samly Holdings Group Limited	<u>65,248</u>	<u>1,085,065</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>31,473,518</u>	<u>30,000,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>31,473,518</u>	<u>30,000,000</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.21	3.62
Diluted earnings per share	0.21	3.62

**Australia Samly Holdings Group Limited**  
**Directors' declaration**  
**30 June 2014**

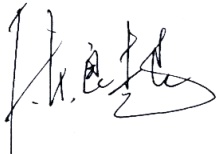
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Lingchao Chen  
Executive Chairman

30 September 2014

## INDEPENDENT AUDITOR'S REPORT

To the members of Australia Samly Holdings Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of Australia Samly Holdings Group Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 2, 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 Australia Samly Holdings 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 Australia Samly Holdings Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Australia Samly Holdings Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

**BDO East Coast Partnership**



**James Mooney**  
**Partner**

Melbourne, 30 September 2014

**Australia Samly Holdings Group Limited**  
**Shareholder information**  
**30 June 2014**

The shareholder information set out below was applicable as at 30 June 2014.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	<b>Number of holders of ordinary shares</b>
1 to 1000	1
1,001 to 5,000	46
5,001 to 10,000	19
10,001 to 100,000	44
100,001 and over	18
	<hr/>
	128
	<hr/> <hr/>
Holding less than a marketable parcel	-
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**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	<b>Ordinary shares % of total shares issued</b>	
	<b>Number held</b>	<b>issued</b>
SAMLY (INTERNATIONAL) BIOTECHNOLOGY LIMITED	17,700,000	51.10
RU XIN (INTERNATIONAL) INVESTMENT CO. LIMITED	4,500,000	12.99
VITA-TECH (INTERNATIONAL) BIOTECHNOLOGY LIMITED	3,600,000	10.39
FULL CARE (INTERNATIONAL) INVESTMENT CO. LIMITED	3,600,000	10.39
SUNSWELTING INVESTMENT DEVELOPMENT CO. LIMITED	600,000	1.73
MS YAQIONG ZHONG	277,450	0.80
MS BEI WANG	274,489	0.79
MISS LEI WANG	260,800	0.75
MR YIFENG YANG	250,000	0.72
MS YUN ZHANG	250,000	0.72
MS BINGQING YIN	206,210	0.60
MS MO YIN	194,800	0.56
MS BO PENG	183,200	0.53
MR WENSHENG HE	180,000	0.52
MS BAOLIAN ZHAI	178,500	0.52
MR ZHONGZHUN ZHANG	110,000	0.32
XINFALIAO	110,000	0.32
MR TIANFANG KUANG	100,000	0.29
MR FUYU WANG	70,000	0.20
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	32,935,399	95.09
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*Unquoted equity securities*

There are no unquoted equity securities.

**Australia Samly Holdings Group Limited**  
**Shareholder information**  
**30 June 2014**

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Samly International (Biotechnology) Limited and Mr Liangchao Chen	17,700,000	51.10
Ru Xin (International) Investment Co., Limited and Pin Yin	4,500,000	12.99
Full Care (International) Investment Co., Limited and Hui Li	3,600,000	10.39
Vita-Tech (International) Biotechnology Limited and Mr Liangchao Chen	3,600,000	10.39

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

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

There are no other classes of equity securities.