Australia Samly Holdings Group Limited

ABN 16 164 307 975

Annual Report - 30 June 2016

Contents

Australia Samly Holdings Group Limited
Corporate directory
30 June 2016

Directors	Liangchao Chen (Executive Director and Chairman) Ying Yao (Executive Director) Pin Yin (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 Sydney Stock Exchange (SSX code: 8SA)
Website	www.samly.net

Australia Samly Holdings Group Limited
Directors' report
30 June 2016

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 2016.

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)
Ying Yao (Executive Director and Group Procurement Controller)
Pin Yin (Executive Director and Company Secretary)
Colin Guang Zheng (Non-Executive Director, resigned 20 October 2015)
Zhimin Xiong (Non-Executive Director, resigned 20 October 2015)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Research and development of 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
Net sales revenue of the consolidated entity for the financial year was $14.2 million compared to $14.4 million in 2015. Gross profit was $7.31 million compared to $7.60 million in 2015. Gross profit margin in 2016 decreased to 51.4%, down by 1.5% from 52.9% in 2015. Net profit after tax was $0.1 million (2015: loss of $4.6 million), which was mainly resulted from the advertising expenses in relation to the advertising agreement being fully amortized since November 2015.

Financial Performance
The consolidated entity reported total revenue and other income of $14.92 million in the financial year (2015: $14.61 million). The consolidated entity's total assets decreased from $14.43 million at 30 June 2015 to $13.42 million at 30 June 2016, including cash and cash equivalents which increased from $0.75 million at 30 June 2015 to $2.90 million at 30 June 2016. Net assets decreased from $2.33 million at 30 June 2015 to $2.30 million at 30 June 2016.

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

Matters subsequent to the end of the financial year
On 12 September 2016, the consolidated entity successfully rolled over a loan of $2.63 million (RMB 13 million) from Industrial Bank Co. Ltd. The maturity date is extended to 13 September 2017.

On 12 September 2016, the consolidated entity announced to the market that Orient Samly Trading (Shenzhen) Co., Ltd, a subsidiary of Australia Samly Holdings Group Limited, has filed a claim at a local district court (Shenzhen, China) in relation to an advertisement agreement against third parties that were counter parties under the agreement. The company is currently in the process of pursuing the claim. The Directors are of the belief that at the date of the financial report, it is impracticable to estimate the outcome of the claim.

No other matter or circumstance, except for the above mentioned matters, has arisen since 30 June 2016 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
In the future, the consolidated entity intends to focus on establishing an efficient and elite marketing team and having well developed marketing strategy and good sales support. The consolidated entity will also focus on branding and production line adjustments to develop a very viable product strategy and a clear development path of the Samly brand. The consolidated entity aims for an increase in sales by sales terminals through nationwide promotional activities and single product focus promotions in China. The consolidated entity also intends to establish a dealer based distribution platform. Samly will concentrate resources to serve the top 100 dealers. The consolidated entity will further accelerate the development terminal market, increase the activities in terminal market, and enhance the Samly brand awareness in

terminal market. The consolidated entity will gradually improve the support system for systems marketing, and provide strong support for the growth of sales.

Likely developments and expected results of operations (continued)

Currently, the Jiangsu plant has 6 production lines, production capacity has reached 6 million units per day. It provides a strong production support for the market supply. The Jiangsu plant will increase the external processing business going forward. Upon satisfying Samly's own products supply for sales, it will achieve maximizing productivity and improving production efficiency.

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:	21,300,000 fully paid ordinary shares

Name:	Pin Yin
Title:	Executive Director and Company Secretary
Experience and expertise:	Pin Yin was also appointed to be Company Secretary in February 2012. She has been engaged in the healthcare industry for 8 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.
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. She also ensures the continuous disclosure requirements of the SSX are met.
Interests in shares:	4,500,000 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:	Member of the Nomination and Remuneration Committee, member of the Audit and Risk Committee.
Interests in shares:	None

Name:	Colin Guang Zheng (Resigned 20 October 2015)
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 (Resigned 20 October 2015)
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

'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 from the University of New South Wales.
Pin Yin was appointed to be Company Secretary in February 2012. She has been engaged in the healthcare industry for 8 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 consolidated entity's Board of Directors ('the Board') held during the year ended 30 June 2016, 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	-	-	3	3
Colin Guang Zheng	1	1	-	-	1	1
Zhimin Xiong	1	1	-	-	1	1
Ying Yao	3	3	-	-	3	3
Pin Yin	3	3	-	-	3	3

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 consolidated entity'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 aim 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.

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. 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.

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
- Ying Yao
- Pin Yin
- Colin Guang Zheng (Resigned 20 October 2015)
- Zhimin Xiong (Resigned 20 October 2015)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Executive Directors:							
Liangchao Chen	64,094	-	-	1,959	-	-	66,053
Ying Yao	20,359	-	-	1,952	-	-	22,311
Pin Yin	28,585	-	-	1,798	-	-	30,383
Non-executive Directors:							
Colin Guang Zheng	-	-	-	-	-	-	-
Zhimin Xiong	-	-	-	-	-	-	-
	113,038	-	-	5,709	-	-	118,747

On 20 October 2015, Colin Guang Zheng and Zhimin Xiong resigned as non-Executive Directors.

2015	Short-term benefits: Cash salary and fees $	Short-term benefits: Bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service Leave $	Share-based payments: Equity-settled $	Total $
Executive Directors:							
Liangchao Chen	52,622	-	-	1,736	-	-	54,358
Ying Yao	18,710	-	-	2,158	-	-	20,868
Pin Yin	-	-	-	-	-	-	-
Non-executive Directors:							
Colin Guang Zheng	-	-	-	-	-	-	-
Zhimin Xiong	-	-	-	-	-	-	-
	71,332	-	-	3,894	-	-	75,226

Pin Yin was appointed as a director on 26 June 2015. She did not receive any remuneration as a director during the year ended 30 June 2015. Pin Yin received a salary of RMB 141,159 ($27,512) including superannuation during the year as a company Secretary.

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

Name	Fixed remuneration 2016	Fixed remuneration 2015	At risk - STI 2016	At risk - STI 2015	At risk - LTI 2016	At risk - LTI 2015
Executive Directors:						
Liangchao Chen	100%	100%	-%	-%	-%	-%
Ying Yao	100%	100%	-%	-%	-%	-%
Pin Yin	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 2015
Term of agreement:	Not fixed
Details:	Base salary of RMB 270,000 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:	Pin Yin
Title:	Executive Director and Company Secretary
Agreement commenced:	25 January 2015
Term of agreement:	Ends 26 January 2018
Details:	Base salary of RMB 140,000 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.

Name:	Ying Yao
Title:	Executive Director
Agreement commenced:	25 January 2015
Term of agreement:	Not fixed
Details:	Base salary of RMB 96,000 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 2016 and 30 June 2015.

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 2016 or at 30 June 2015.

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 2016 or during the year ended 30 June 2015.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2012 $	2013 $	2014 $	2015 $	2016 $
Sales revenue	5,281,799	8,722,211	12,670,859	14,376,015	14,238,723
EBT	517,731	1,440,776	310,904	(4,584,261)	480,562
Profit/(loss) after income tax	388,408	1,085,065	65,248	(4,620,906)	109,016

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the consolidated entity 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
Ordinary shares					
Liangchao Chen	21,300,000	-	-	-	21,300,000
Pin Yin	4,500,000	-	-	-	4,500,000
	25,800,000	-	-	-	25,800,000

Loans from key management personnel

During the financial year, Mr Liangchao Chen provided loans to the consolidated entity of $5,000 (2015: $35,010) and the total outstanding balance was $40,010 at 30 June 2016.

During the financial year, Ms Ying Yao provided loans to the consolidated entity of $151,822 (2015: $6,300) and the total outstanding balance was $158,122 at 30 June 2016.

Loans provided are interest free, are at call and non-secured.

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 2016 and up to the date of this report.

Indemnity and insurance of officers
The consolidated entity has indemnified the directors and executives of the consolidated entity 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 consolidated entity paid a premium in respect of a contract to insure the directors and executives of The consolidated entity 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 consolidated entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of The consolidated entity or any related entity against a liability incurred by the auditor.

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

Proceedings on behalf of the consolidated entity
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the consolidated entity, or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or part of those proceedings.

Non-audit services
There were no non-audit services provided during the year by the auditor.

Officers of the consolidated entity who are former audit partners of BDO East Coast Partnership
There are no officers of the consolidated entity 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.

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

Australia Samly Holdings Group Limited
Directors' report
30 June 2016

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

Liangchao Chen
Executive Chairman

29 September 2016
Melbourne, Australia

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Melbourne VIC 3000
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Australia

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF AUSTRALIA SAMLY HOLDINGS GROUP LIMITED

As lead auditor of Australia Samly Holdings Group Limited for the year ended 30 June 2016, 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.

Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 29 September 2016

Australia Samly Holdings Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue	5	14,242,592	14,394,950
Other income	6	681,403	216,519
Expenses			
Cost of sales		(6,924,284)	(6,775,350)
Administration		(2,186,290)	(2,341,769)
Sales expenses		(3,570,059)	(3,492,770)
Marketing		(1,008,001)	(6,173,812)
Other expenses		(349,768)	(92,310)
Finance costs		(405,031)	(319,719)
Profit/(loss) before income tax expense	7	480,562	(4,584,261)
Income tax expense	8	(371,546)	(36,645)
Profit/(loss) after income tax expense for the year attributable to the owners of Australia Samly Holdings Group Limited		109,016	(4,620,906)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(132,128)	981,773
Other comprehensive income for the year, net of tax		(132,128)	981,773
Total comprehensive income for the year attributable to the owners of Australia Samly Holdings Group Limited		(23,112)	(3,639,133)
		Cents	**Cents**
Basic earnings per share	35	0.31	(13.34)
Diluted earnings per share	35	0.31	(13.34)

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 2016

	Note	Consolidated 2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	9	2,896,548	748,385
Trade and other receivables	10	3,559,561	2,551,940
Inventories	11	1,748,676	3,592,780
Other assets	12	410,032	1,754,517
Total current assets		8,614,817	8,647,622
Non-current assets			
Property, plant and equipment	13	4,042,821	4,780,317
Intangibles	14	677,567	786,207
Deferred tax	15	53,364	169,908
Other assets	16	32,348	50,462
Total non-current assets		4,806,100	5,786,894
Total assets		13,420,917	14,434,516
Liabilities			
Current liabilities			
Trade and other payables	17	2,404,461	4,208,630
Borrowings	18	6,833,443	5,190,199
Income tax	19	389,502	541,941
Employee benefits	20	216,841	269,485
Other liabilities	21	1,274,719	1,899,198
Total current liabilities		11,118,966	12,109,453
Total liabilities		11,118,966	12,109,453
Net assets		2,301,951	2,325,063
Equity			
Issued capital	22	4,095,429	4,095,429
Reserves	23	1,415,322	1,445,592
Accumulated loss		(3,208,800)	(3,215,958)
Total equity		2,301,951	2,325,063

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 2016

Consolidated	Issued capital $	Foreign currency translation reserve $	Accumulated loss $	Surplus reserve $	Total equity $
Balance at 1 July 2014	4,095,429	220,466	1,444,071	204,230	5,964,196
Loss after income tax expense for the year	-	-	(4,620,906)	-	(4,620,906)
Other comprehensive income for the year, net of tax	-	981,773	-	-	981,773
Total comprehensive income for the year	-	981,773	(4,620,906)	-	(3,639,133)
Transactions with owners in their capacity as owners:					
Transfer to surplus reserve	-	-	(39,123)	39,123	-
Balance at 30 June 2015	4,095,429	1,202,239	(3,215,958)	243,353	2,325,063

Consolidated	Issued Capital $	Foreign currency translation reserve $	Accumulated loss $	Surplus reserve $	Total equity $
Balance at 1 July 2015	4,095,429	1,202,239	(3,215,958)	243,353	2,325,063
Profit after income tax expense for the year	-	-	109,016	-	109,016
Other comprehensive income for the year, net of tax	-	(132,128)	-	-	(132,128)
Total comprehensive income for the year	-	(132,128)	109,016	-	(23,112)
Transactions with owners in their capacity as owners:					
Transfer to surplus reserve	-	-	(101,858)	101,858	-
Balance at 30 June 2016	4,095,429	1,070,111	(3,208,800)	345,211	2,301,951

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 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		13,975,537	14,917,866
Payments to suppliers (inclusive of GST)		(13,641,400)	(19,895,610)
Receipts of government grants		663,409	194,898
Interest received		3,869	18,935
Interest paid		(402,369)	(319,070)
Income taxes paid		(387,037)	(27,017)
Net cash provided by/(used in) operating activities	34	212,009	(5,109,998)
Cash flows from investing activities			
Payments for property, plant and equipment		(66,849)	(284,850)
Payments for intangibles		-	(114,461)
Proceeds from sale of property, plant and equipment		113,747	3,956
Net cash provided by/(used in) investing activities		46,898	(395,355)
Cash flows from financing activities			
Proceeds from borrowings		7,164,426	4,718,852
Repayment of borrowings		(5,127,516)	(5,008,108)
Net cash provided by/(used in) financing activities		2,036,910	(289,256)
Net increase/(decrease) in cash and cash equivalents		2,295,817	(5,794,609)
Cash and cash equivalents at the beginning of the financial year		748,385	5,738,890
Effects of exchange rate changes on cash and cash equivalents		(147,654)	804,104
Cash and cash equivalents at the end of the financial year	9	2,896,548	748,385

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

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 2016. 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity or disclosures.

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

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 31.

Note 2. Significant accounting policies (continued)

Going concern
The consolidated entity made a profit after tax for the year ended 30 June 2016 of $109,016 (2015: loss after tax of $4,620,906). As at 30 June 2016, the consolidated entity's current liabilities exceeded its current assets by $2,504,149 (2015: $3,461,831), held cash and cash equivalents of $2,896,548 (2015:$748,385) and reflected a net asset position of $2,301,951 (2015: $2,325,063). The ability of the entity to continue as a going concern is dependent on its ability to re-negotiate existing borrowing facilities for a further 12 month period, from the date they become due and payable, and the continued financial support from the Chairman which includes the private guarantee of borrowings. These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The consolidated entity successfully rolled over the loan from Industrial Bank Co., Ltd of $2.63 million for another 12 months from September 2016.
- The consolidated entity is confident of rolling over the loan from Industrial Bank Co., Ltd of $1.98 million for another 12 months from its due date in March 2017 and the loan from JiangSu Shuyang Rural Commercial Bank Co., Ltd of $2.02 million for another 12 months from its due date in April 2017 as it had successfully rolled over the loan in prior years since the inception of the loan. The Chairman of the consolidated entity has confirmed that he will continue to offer his private assets to be pledged as a guarantee to the loan.
- The Chairman and an executive director of the consolidated entity will not demand repayment of the loans owing to them of $40,010 and $158,122 respectively at 30 June 2016 for a period of at least 12 months and is prepared to provide continuous financial support, if required, as in prior years.
- The net current liability position as at 30 June 2016 included deferred revenue of $1,274,719 which is a non-cash item.
- The directors have prepared budgets which demonstrate that, based on the above factors, the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing this report.

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

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 2016 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Government grants
Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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. 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.

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.

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.

Note 2. Significant accounting policies (continued)

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
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.

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.

Note 2. Significant accounting policies (continued)

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

GST
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.

Chinese Value Added Tax ("VAT")
Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the local tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of VAT.

Cash flows are presented on a gross basis. The GST and VAT 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 or VAT recoverable from, or payable to, the tax authority.

Note 2. Significant accounting policies (continued)

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 2016. 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.

Standards Likely to Have a Financial Impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014)	Financial Instruments	**Classification and measurement** AASB 9 amendments include the classification and measurement of financial assets: • Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). • Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. • All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities, and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. **Impairment** The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses. A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months. *…continued over page…*	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

Standards Likely to Have a Financial Impact

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2014)	Financial Instruments	**Impairment (continued)** For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of applying the complex three stage model or the simplified model. **Hedge accounting** Under the new hedge accounting requirements: • The 80-125% highly effective threshold has been removed • Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable • An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure • When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI • Net foreign exchange cash flow positions can qualify for hedge accounting.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.
AASB 15 (issued December 2014)	Revenue from Contracts with Customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118 Revenue.	Annual reporting periods beginning on or after 1 January 2018	Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

Standards Likely To Have A Disclosure Impact Only

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2015-2 (issued January 2015)	Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	Amends AASB 101 *Presentation of Financial Statements* to clarify that: • Materiality applies to all primary financial statements and notes, and applies even to a list of specific, minimum disclosures • Line items can be disaggregated if doing so could influence a user's decision • Subtotals must be made up of items recognised in accordance with Australian Accounting Standards • Additional subtotals in the Statement of Profit or Loss and Other Comprehensive Income must be reconciled back to subtotals required by AASB 101 • Notes no longer need to follow the order of items in the financial statements and related items can be grouped together (e.g. all financial instruments) • Accounting policies can be placed at the end of the notes to the financial statements • Share of other comprehensive income of associates and joint ventures must be separately classified into amounts that will be reclassified to profit or loss in future, and amounts that will not be reclassified to profit or loss in future.	Annual reporting periods beginning on or after 1 January 2016	These amendments affect presentation and disclosures only. Therefore on first time adoption of these amendments on 1 July 2016, comparatives will need to be restated in line with presentation and note ordering.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 16 (issued February 2016)	Leases	AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases.* It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117	Annual reporting periods beginning on or after 1 January 2019.	To the extent that the entity, as lessee, has significant operating leases outstanding at the date of initial application, 1 July 2019, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. Thereafter, earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-of-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

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

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.

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

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2016	Production $	New Life $	Technology $	Unallocated $	Total $
Revenue					
Sales to external customers	12,525,041	111,673	1,602,009	-	14,238,723
Interest received	3,358	68	443	-	3,869
Total revenue	12,528,399	111,741	1,602,452	-	14,242,592
EBITDA					
Depreciation and amortisation	589,547	7,105	2,286	-	598,938
Interest paid	402,369	-	-	-	402,369
Segment result					
Profit/(loss) before income tax expense	1,383,478	(665,190)	(79,348)	(158,378)	480,562
Income tax expense					(371,546)
Profit after income tax expense					109,016
Assets					
Segment assets	12,941,357	147,169	272,859	59,532	13,420,917
Total assets					13,420,917
Liabilities					
Segment liabilities	9,938,650	53,837	933,072	193,407	11,118,966
Total liabilities					11,118,966

Consolidated - 2015	Production $	New Life $	Technology $	Unallocated $	Total $
Revenue					
Sales to external customers	12,186,848	443,236	1,745,931	-	14,376,015
Interest received	18,415	93	427	-	18,935
Total revenue	12,205,263	443,329	1,746,358	-	14,394,950
EBITDA					
Depreciation and amortisation	527,713	3,457	4,681	-	535,851
Interest paid	319,070	-	-	-	319,070
Segment result					
Profit/(loss) before income tax expense	255,414	(4,707,087)	7,940	(140,528)	(4,584,261)
Income tax expense					(36,645)
Profit after income tax expense					(4,620,906)
Assets					
Segment assets	13,384,107	736,613	258,884	54,912	14,434,516
Total assets					14,434,516
Liabilities					
Segment liabilities	10,867,717	113,336	1,048,394	80,006	12,109,453
Total liabilities					12,109,453

Note 4. Operating segments (continued)

Geographical information

	Sales to external customers		non-current assets	
	2016	2015	2016	2015
	$	$	$	$
China	14,238,723	14,376,015	4,752,736	5,616,985

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	
	2016	2015
	$	$
Sales revenue		
Sales of goods	14,238,723	14,376,015
	14,238,723	14,376,015
Other revenue		
Interest	3,869	18,935
	3,869	18,935
	14,242,592	14,394,950

Note 6. Other income

	Consolidated	
	2016	2015
	$	$
Government grants	663,409	194,898
Foreign exchange gains	-	10,668
Other sundry income	17,994	10,953
	681,403	216,519

Government grants of $663,409 (RMB 3,105,173) were recognised by the Group. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

Note 7. Expenses

	Consolidated 2016 $	Consolidated 2015 $
Profit/(loss) before income tax includes the following specific expenses:		
Finance costs		
Interest expenses	402,369	319,070
Bank charges	2,662	649
Total finance costs	405,031	319,719
Depreciation		
Plant and equipment	349,216	307,202
Fixtures and fittings	120,988	119,537
Motor vehicles	61,374	50,735
Total depreciation	531,578	477,474
Amortisation		
Patents and trademarks	61,547	53,074
Rights to use land	5,813	5,303
Total amortisation	67,360	58,377
Total depreciation and amortisation	598,938	535,851
Rental expense relating to operating leases		
Minimum lease payments	172,886	189,460
Superannuation expense		
Defined contribution superannuation expense	213,827	205,096
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	2,621,820	2,780,833
Other expenses		
Impairment – Inventory	106,519	33,643
Impairment – trade and receivables	139,194	20,124

Note 8. Income tax expense

	Consolidated 2016 $	Consolidated 2015 $
Income tax expense		
Current tax	173,997	3,801
Under-provision in prior years	84,704	19,151
	258,701	22,952
Deferred tax - origination and reversal of temporary differences	112,845	13,693
Aggregate income tax expense	371,546	36,645
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	112,845	13,693
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(Loss) before income tax expense	480,562	(4,584,261)
Tax at the statutory tax rate of 30%	144,169	(1,375,278)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	13,875	12,546
Marketing expenses	14,355	1,289,958
Other disallowable/deductible expenses	47,438	-
	75,668	(72,774)
Research and development tax credit	(89,757)	
Current year tax losses not recognised	215,889	172,767
Reversal of previously recognised tax losses	133,277	-
Previously unrecognised tax losses now recouped to reduce current tax	(33,864)	-
Under provision in prior years	84,704	19,151
Difference in overseas tax rates	(158,540)	(82,499)
Income tax expense	371,546	36,645

	Consolidated 2016 $	Consolidated 2015 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,687,112	773,493
Potential benefit at 30% in Australia, 16.5% in Hong Kong and 25% in P.R China	442,522	206,198

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.

Included in unused tax losses were $1,272,237 for the subsidiaries in P.R.China. The tax losses in P.R China can be carried forward for five consecutive years.

There is no expiry date on the future deductibility of unused tax losses in Australia and Hong Kong entities.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2016	2015
	$	$
Cash on hand	47,989	10,812
Cash at bank	2,848,559	737,573
	2,896,548	748,385

Note 10. Current assets - trade and other receivables

	Consolidated	
	2016	2015
	$	$
Trade receivables	3,077,546	2,361,034
Less: Provision for impairment of receivables	(80,169)	(64,812)
	2,997,377	2,296,222
Other receivables	562,184	255,718
	3,559,561	2,551,940

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

	Consolidated	
	2016	2015
	$	$
Over 12 months overdue	80,169	64,812

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

	Consolidated	
	2016	2015
	$	$
Opening balance	64,812	15,694
Additional provisions recognised	20,124	41,122
Foreign exchange difference	(4,767)	7,996
Closing balance	80,169	64,812

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $824,604 as at 30 June 2016 ($672,436 as at 30 June 2015).

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

Note 10. Current assets - trade and other receivables (continued)

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

	Consolidated 2016 $	Consolidated 2015 $
90 days overdue	606,674	408,050
Over 90 days overdue	217,930	264,386
	824,604	672,436

Note 11. Current assets – inventories

	Consolidated 2016 $	Consolidated 2015 $
Raw materials – at cost	1,079,199	1,668,270
Finished goods – at cost	669,477	1,924,510
	1,748,676	3,592,780

Note 12. Current assets – other assets

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	410,032	1,754,517

Prepayments at 30 June 2016 relate to the purchase of raw materials that have yet to be delivered by suppliers (2015: $988,955).

At 30 June 2015, an amount of $765,562 related 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. The amount was recognised as an expense in profit or loss during the year ended 30 June 2016 as the services paid for were consumed.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2016 $	Consolidated 2015 $
Plant and equipment - at cost	5,476,283	5,878,548
Less: Accumulated depreciation	(1,433,462)	(1,098,231)
	4,042,821	4,780,317

Note 13. 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:

Consolidated	Plant under construction $	Fixtures & fittings $	Plant & equipment $	Motor Vehicles $	Total $
Balance at 1 July 2014	-	744,020	3,166,855	172,560	4,083,435
Additions	-	-	151,121	71,109	222,230
Exchange differences	-	170,543	759,173	44,402	974,118
Disposal	-	-	(21,992)	-	(21,992)
Depreciation expense	-	(119,537)	(307,202)	(50,735)	(477,474)
Balance at 30 June 2015	-	795,026	3,747,955	237,336	4,780,317
Additions	299	-	154,209	-	154,508
Exchange differences	(16)	(38,934)	(198,031)	(9,698)	(246,679)
Disposal	-	-	(102,761)	(10,986)	(113,747)
Depreciation expense	-	(120,988)	(349,216)	(61,374)	(531,578)
Balance at 30 June 2016	283	635,104	3,252,156	155,278	4,042,821

The written down value of plant and equipment secured under the bank loan of Shenzhen Vitality Bio-health Technology Jiangsu Co., Ltd (a subsidiary company) at 30 June 2016 was $2,365,656 (RMB 11,694,027) (2015: nil).

Note 14. Non-current assets - intangibles

	Consolidated 2016 $	**Consolidated 2015 $**
Patents and trademarks - at cost	624,547	662,338
Less: Accumulated amortisation	(197,436)	(147,580)
	427,111	514,758
Rights to use land - at cost	272,015	288,475
Less: Accumulated amortisation	(21,559)	(17,026)
	250,456	271,449
	677,567	786,207

Note 14. Non-current assets - intangibles (continued)

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

Consolidated	Rights to use land $	Patents & trademarks $	Total $
Balance at 1 July 2014	222,647	359,067	581,714
Additions	-	114,461	114,461
Exchange differences	54,105	94,304	148,409
Amortisation expense	(5,303)	(53,074)	(58,377)
Balance at 30 June 2015	271,449	514,758	786,207
Additions	-	-	-
Exchange differences	(15,180)	(26,100)	(41,280)
Amortisation expense	(5,813)	(61,547)	(67,360)
Balance at 30 June 2016	250,456	427,111	677,567

Note 15. Non-current assets - deferred tax

	Consolidated 2016 $	Consolidated 2015 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	138,563
Impairment of receivables	33,900	30,064
Inventory	19,464	1,281
Deferred tax asset	53,364	169,908
Movements:		
Opening balance	169,908	148,532
Credited/(charged) to profit or loss (note 8)	(112,845)	(13,693)
Exchange differences	(3,699)	35,069
Closing balance	53,364	169,908

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 16. Non-current assets – other assets

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	32,348	50,462

Non-current prepayments represent amounts paid for display shelfing in shopping malls for longer than 12 months.

Note 17. Current liabilities - trade and other payables

	Consolidated 2016 $	2015 $
Trade payables	639,912	2,371,614
Sales taxes payable	1,710,261	1,668,399
Other payables	54,288	168,617
	2,404,461	4,208,630

Refer to note 25 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated 2016 $	2015 $
Bank loans (i)	6,635,311	5,148,889
Loans from directors (ii)	198,132	41,310
	6,833,443	5,190,199

Refer to note 25 for further information on financial instruments.

(i) The bank loans at 30 June 2016 represent two loans from Industrial Bank Co., Ltd of $2.63 million (RMB 13 million) and $1.98 million (RMB 9.8 million) and a loan from Jiangsu Shuyang Rural Commercial Bank Co., Ltd of $2.02 million (RMB 10 million).

The loans from Industrial Bank Co., Ltd were secured against private assets pledged by Mr Chen, the Chairman of the consolidated entity. The loan of $2.63 million was payable on 20 September 2016 and was rolled over on 12 September 2016 and the renewed repayment date is 13 September 2017. This loan carried a fixed interest rate of 6.21% p.a. during its term. The renewed interest rate is 1.355% above the prevailing loan prime rate ('LPR') (the benchmark interest rate set by the People's Bank of China). The loan of $1.98 million is payable on 30 March 2017, it carries a fixed interest rate of 5.87% p.a.

The loan from JiangSu Shuyang Rural Commercial Bank Co., Ltd has a fixed interest rate of 7.61% and is payable on 19 April 2017. This loan is secured against a number of fixed assets of Shenzhen Vitality Bio-health Technology Jiangsu Co., Ltd (a subsidiary company).

Refer to note 13 for details of the assets pledged as security on the above mentioned bank loan.

(ii) The Directors' loans were from Mr Chen and Ms Yao and are unsecured, interest free and at call.

Note 19. Current liabilities - income tax

	Consolidated 2016 $	2015 $
Provision for income tax	389,502	541,941

Note 20. Current liabilities - employee benefits

	Consolidated 2016 $	Consolidated 2015 $
Employee benefits (i)	216,841	269,485

(i) Relates to accrued wages at 30 June 2016 and 30 June 2015.

Note 21. Current liabilities – other liabilities

	Consolidated 2016 $	Consolidated 2015 $
Deferred revenue	1,274,719	1,899,198

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 customers.

Note 22. Equity - issued capital

	Consolidated			
	2016 Shares	2015 Shares	2016 $	2015 $
Ordinary shares - fully paid	34,636,500	34,636,500	4,095,429	4,095,429

Movements in ordinary share capital

Details	**Date**	**Shares**	**$**
Balance	30 June 2015	34,636,500	4,095,429
Balance	30 June 2016	34,636,500	4,095,429

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of The consolidated entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and The consolidated entity 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.

Note 22. Equity - issued capital (continued)

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 23. Equity - reserves

	Consolidated	
	2016 $	2015 $
Foreign currency reserve	1,070,111	1,202,239
Surplus profits reserve	345,211	243,353
	1,415,322	1,445,592

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:

Consolidated	Foreign currency $	Surplus profit $	Total $
Balance at 1 July 2014	220,466	204,230	424,696
Foreign currency translation	981,773	-	981,773
Transfer from profits	-	39,123	39,123
Balance at 30 June 2015	1,202,239	243,353	1,445,592
Foreign currency translation	(132,128)	-	(132,128)
Transfer from profits	-	101,858	101,858
Balance at 30 June 2016	1,070,111	345,211	1,415,322

Note 24. Equity - dividends

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

Note 25. 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 consolidated entity'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.

Note 25. Financial instruments (continued)

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

- market risk
- credit risk
- liquidity risk

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. However, foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity’s exposure to currency risks.

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 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.

	Consolidated	
	2016 $	2015 $
Carrying value of financial assets		
Cash and cash equivalents	2,896,548	748,385
Trade and other receivables	3,559,561	2,551,940
	6,456,109	3,300,325

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.

Note 25. Financial instruments (continued)

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 - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-%	694,200	-	-	-	694,200
Sales tax payable	-%	1,710,261	-	-	-	1,710,261
Loan from directors	-%	198,132				198,132
Employee benefits (Accrued wages)	-%	216,841	-	-	-	216,841
Interest-bearing - fixed						
Bank loans	6.53%	6,635,311	-	-	-	6,635,311
Total non-derivatives		9,454,745	-	-	-	9,454,745

Consolidated - 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-%	2,540,231	-	-	-	2,540,231
Sales tax payable	-%	1,668,399	-	-	-	1,668,399
Loan from directors	-%	41,310	-	-	-	41,310
Employee benefits (Accrued wages)	-%	269,485	-	-	-	269,485
Interest-bearing - fixed						
Bank loans	7.92%	5,148,889	-	-	-	5,148,889
Total non-derivatives		9,668,314	-	-	-	9,668,314

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

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

Note 26. 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 (resigned 20 October 2015)	Non-Executive Director
Zhimin Xiong (resigned 20 October 2015)	Non-Executive Director
Ying Yao	Executive Director and Group Procurement Officer
Pin Yin	Executive Director and Company Secretary

Note 26. Key management personnel disclosures (continued)

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

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	113,038	71,332
Post-employment benefits	5,709	3,894
	118,747	75,226

Note 27. 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 consolidated entity, and its network firms:

	Consolidated	
	2016 $	2015 $
BDO East Coast Partnership		
Audit or review of the financial statements	45,000	42,000
	45,000	42,000
BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch		
Audit or review of the financial statements	26,706	23,388

Note 28. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2016 (2015: None).

Note 29. Commitments

	Consolidated	
	2016 $	2015 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	193,662	267,809
One to five years	190,069	84,762
	383,731	352,571

Note 30. Related party transactions

Parent entity
Australia Samly Holdings Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 32.

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.

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2016 $	Parent 2015 $
Loss after income tax	(158,377)	(2,140,401)
Total comprehensive income	(158,377)	(2,140,401)

Statement of financial position

	Parent 2016 $	Parent 2015 $
Total current assets	2,206,254	2,031,027
Total assets	2,206,254	2,031,027
Total current liabilities	329,479	195,876
Total liabilities	329,479	195,876
Equity		
Issued capital	4,091,648	4,091,648
Accumulated losses	(2,414,875)	(2,256,497)
Total equity	1,676,773	1,835,151

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 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

Note 32. 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:

		Ownership interest	
	Principal place of business /	2016	2015
Name	**Country of incorporation**	**%**	**%**
Samly (Int'l) Bio-tech Co., Limited	Hong Kong	100%	100%
Orient Samly Trading (Shenzhen) Co., Ltd	China	100%	100%
Shenzhen Vitality Bio-health Technology Co., Ltd	China	100%	100%
Shenzhen Vitality Bio-health Technology Jiangsu Co., Ltd	China	100%	100%
Shenzhen Shenxiantang Technology Development Co., Ltd	China	100%	100%
Shenzhen New Life Biological Technology Co., Ltd	China	100%	100%
Shenzhen Samly Technology Development Co., Ltd	China	100%	100%

Australia Samly holds 100% in Samly (Int'l) Bio-tech Co., Limited ("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 a wholly-owned foreign company (WOFE). Samly International and the WOFE 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 33. Events after the reporting period

On 12 September 2016, the consolidated entity successfully rolled over a loan of $2.63 million (RMB 13 million) from Industrial Bank Co. Ltd. The maturity date is extended to 13 September 2017.

On 12 September 2016, the consolidated entity announced to the market that Orient Samly Trading (Shenzhen) Co., Ltd, a subsidiary of Australia Samly Holdings Group Limited, has filed a claim at a local district court (Shenzhen, China) in relation to an advertisement agreement against third parties that were counter parties under the agreement. The company is currently in the process of pursuing the claim. The Directors are of the belief that at the date of the financial report, it is impracticable to estimate the outcome of the claim.

No other matter or circumstance, except for the above mentioned matters, has arisen since 30 June 2016 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.

Note 34. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated	
	2016	**2015**
	$	**$**
Profit/(loss) after income tax expense for the year	109,016	(4,620,906)
Adjustments for:		
Depreciation and amortisation	598,938	535,851
Net loss on disposal of property, plant and equipment	-	18,036
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,217,934)	(271,418)
Decrease/(increase) in inventories	1,731,075	(413,121)
Decrease in deferred tax assets	112,845	13,695
Decrease/(increase) in prepayments	1,242,626	(120,588)
Increase in other operating assets	-	-
(Decrease)/increase in trade and other payables	(1,651,789)	443,092
Decrease in provision for income tax	(128,336)	(4,067)
(Decrease)/increase in employee benefits	(39,359)	42,866
Decrease in other operating liabilities	(545,073)	(733,438)
Net cash provided by/(used in) operating activities	212,009	(5,109,998)

Note 35. Earnings per share

	Consolidated	
	2016	**2015**
	$	**$**
Profit/(loss) after income tax attributable to the owners of Australia Samly Holdings Group Limited	109,016	(4,620,906)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	34,636,500	34,636,500
Weighted average number of ordinary shares used in calculating diluted earnings per share	34,636,500	34,636,500
	Cents	**Cents**
Basic earnings per share	0.31	(13.34)
Diluted earnings per share	0.31	(13.34)

Australia Samly Holdings Group Limited
Directors' declaration
30 June 2016

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 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that The consolidated entity 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

Liangchao Chen
Executive Chairman

29 September 2016
Melbourne, Australia

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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 2016, 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 2016 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.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 (Going concern) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent on its ability to roll over for a further 12 month period of the borrowing facilities and obtaining continuous financial support from the Chairman including privately guaranteeing the borrowings. These conditions, along with other matters as set out in Note 2 (Going concern), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 29 September 2016

Australia Samly Holdings Group Limited
Shareholder information
30 June 2016

The shareholder information set out below was applicable as at 29 September 2016.

Equity security holders

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

	Ordinary shares Number held	Ordinary shares % of total shares issued
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 MO YIN	529,800	1.53
MS HAIYANG PENG	393,450	1.14
MS BO PENG	301,700	0.87
MS YAQIONG ZHONG	277,450	0.80
MS BEI WANG	274,500	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	226,210	0.65
MR YUXI WANG	193,790	0.56
MR WENSHENG HE	152,000	0.44
XINFA LIAO	110,000	0.32
MR ZHONGZHUN ZHANG	110,000	0.32
MR TIANFANG KUANG	100,000	0.29
MR WUBIN PENG	67,500	0.19
	33,497,200	96.69