

Australia Samly Holdings Group Limited

ABN 16 164 307 975

Half-year Financial Report - 31 December 2014

Australia Samly Holdings Group Limited

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31 December 2014

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Australia Samly Holdings Group Limited**Corporate directory****31 December 2014**

Directors	Liangchao Chen (Executive Director and Chairman) Colin Guang Zheng (Non-Executive Director) Zhimin Xiong (Non-Executive Director) Ying Yao (Executive Director) Enhua Huang (Executive Director)
Company secretary	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 2000, AUSTRALIA
Share register	ShareBPO Pty Ltd Level 1, 51-57 Pitt Street Sydney NSW 2000
Auditor	BDO East Coast Partnership Level 14, 140 William Street Melbourne, VIC 3000
Solicitors	Baker & Mackenzie AMP Centre, Level 27 50 Bridge Street Sydney, NSW 2000, AUSTRALIA
Bankers	Commonwealth Bank of Australia 28 Kingsway Glen Waverley, VIC 3150
Stock exchange listing	Australia Samly Holdings Group Limited shares are listed on the Asia Pacific Stock Exchange (APX code: 8SA)
Website	www.samly.net

Australia Samly Holdings Group Limited
Directors' report
31 December 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Australia Samly Holdings Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2014.

Directors

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

Liangchao Chen (Executive Director and Chairman)

Colin Guang Zheng (Non-Executive Director)

Zhimin Xiong (Non-Executive Director)

Peng Yu (Executive Director and Chief Executive Officer, resigned as a Director 22 July 2014, but remained as CEO until February 2015)

Enhua Huang (Executive Director)

Ying Yao (Executive Director)

Principal activities

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

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,064,548 (31 December 2013: profit \$402,135). Gross sales, when translated to Australian dollars, decreased by \$580,231 to \$6,838,554, whilst Gross Profit was 51% compared to 47% in 2013.

Net assets of the Group have decreased by \$292,865 to \$5,671,331 with working capital (being current assets less current liabilities being reduced to \$16,491 from \$1,087,454 at 30 June 2014).

Significant changes in the state of affairs

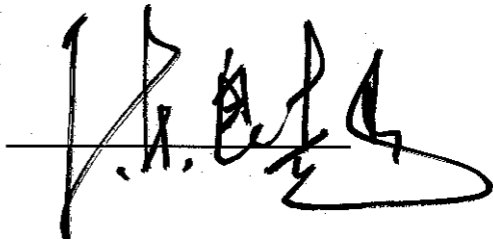
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors




17 March 2015
Melbourne

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

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

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

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



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 17 March 2015

Australia Samly Holdings Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Revenue	4	6,934,120	7,427,303
Expenses			
Cost of sales		(3,326,277)	(3,944,696)
Sales expense		(1,620,102)	(1,164,491)
Administration		(1,128,359)	(875,884)
Marketing		(1,678,323)	(794,950)
Other expenses		(90,208)	(10,191)
Finance costs		(122,421)	(35,538)
(Loss)/Profit before income tax expense		(1,031,570)	601,553
Income tax expense		(32,978)	(199,418)
(Loss)/Profit after income tax expense for the half-year attributable to the owners of Australia Samly Holdings Group Limited		(1,064,548)	402,135
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		771,683	109,765
Other comprehensive income for the year, net of tax		771,683	109,765
Total comprehensive income for the half-year attributable to the owners of Australia Samly Holdings Group Limited		<u>(292,865)</u>	<u>511,900</u>
		Cents	Cents
Basic earnings per share		(3.073)	1.16
Diluted earnings per share		(3.073)	1.16

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 31 December 2014

		Consolidated	
	Note	31 December 2014	30 June 2014
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,047,897	5,738,890
Trade and other receivables		2,527,817	1,809,182
Inventories		3,585,064	2,519,678
Prepayments	5	4,109,926	1,224,315
Total current assets		<u>13,270,704</u>	<u>11,292,065</u>
Non-current assets			
Property, plant and equipment		4,541,617	4,083,435
Intangibles		765,202	581,714
Deferred tax		157,038	148,532
Prepayments		190,682	63,061
Total non-current assets		<u>5,654,839</u>	<u>4,876,742</u>
Total assets		<u>18,925,543</u>	<u>16,168,807</u>
Liabilities			
Current liabilities			
Trade and other payables		3,737,374	2,987,684
Borrowings	6	5,202,269	4,426,470
Income tax		508,711	438,746
Employee benefits		371,984	178,495
Deferred revenue		3,433,874	2,173,216
Total current liabilities		<u>13,254,212</u>	<u>10,204,611</u>
Total liabilities		<u>13,254,212</u>	<u>10,204,611</u>
Net assets		<u>5,671,331</u>	<u>5,964,196</u>
Equity			
Issued capital		4,095,429	4,095,429
Reserves	7	1,220,461	424,696
Retained earnings		355,441	1,444,071
Total equity		<u>5,671,331</u>	<u>5,964,196</u>

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

Australia Samly Holdings Group Limited
Statement of changes in equity
For the half-year ended 31 December 2014

	Issued capital \$	Retained Earnings \$	Reserves \$	Total equity \$
Consolidated				
Balance at 1 July 2013	3,781	1,424,748	415,367	1,843,896
Profit after income tax expense for the half-year	-	402,135	-	402,135
Other comprehensive income for the half-year, net of tax	-	-	109,765	109,765
Total comprehensive income for the half-year	-	402,135	109,765	511,900
Appropriation of surplus reserves	-	(40,213)	40,213	-
Balance at 31 December 2013	<u>3,781</u>	<u>1,786,670</u>	<u>565,474</u>	<u>2,355,925</u>
	Issued capital \$	Retained earnings \$	Reserves \$	Total equity \$
Consolidated				
Balance at 1 July 2014	4,095,429	1,444,071	424,696	5,964,196
Loss after income tax expense for the half-year	-	(1,064,548)	-	(1,064,548)
Other comprehensive income for the half-year, net of tax	-	-	771,683	771,683
Total comprehensive income for the half-year	-	(1,064,548)	771,683	(292,865)
Appropriation of surplus reserves	-	(24,082)	24,082	-
Balance at 31 December 2014	<u>4,095,429</u>	<u>355,441</u>	<u>1,220,461</u>	<u>5,671,331</u>

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

Australia Samly Holdings Group Limited
Statement of cash flows
For the half-year ended 31 December 2014

Note	Consolidated	
	2014 \$	2013 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	7,087,681	8,416,528
Payments to suppliers and employees (inclusive of GST)	(10,366,219)	(6,948,864)
Interest received	1,752	8,360
Interest paid	(122,421)	(36,310)
Income tax paid	(17,798)	(179,426)
Net cash (used in)/provided by operating activities	(3,417,005)	1,260,288
Cash flows from investing activities		
Payments for property, plant and equipment	(32,687)	(140,594)
Payments for intangibles	(117,301)	-
Net cash used in investing activities	(149,988)	(140,594)
Cash flows from financing activities		
Proceeds from borrowings	998,702	-
Repayment of borrowings	(928,775)	(23,969)
Net cash provided by/(used in) financing activities	69,927	(23,969)
Net (decrease)/increase in cash and cash equivalents	(3,497,066)	1,095,725
Cash and cash equivalents at the beginning of the financial half-year	5,738,890	2,323,535
Effects of exchange rate changes on cash	806,073	120,993
Cash and cash equivalents at the end of the financial half-year	<u>3,047,897</u>	<u>3,540,251</u>

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

Australia Samly Holdings Group Limited
Notes to the financial statements
31 December 2014

Note 1. General information

The financial report covers Australia Samly Holdings Group Limited as a consolidated entity consisting of Australia Samly Holdings Group Limited and the entities it controlled. 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.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 17 March 2015. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Note 3. 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 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.

Australia Samly Holdings Group Limited
Notes to the financial statements
31 December 2014

Note 3. Operating segments (continued)

Types of products and services

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

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

Operating segment information

Consolidated	Production \$	New Life \$	Technology \$	Corporate \$	Total \$
Revenue – 31 December 2014	5,917,630	106,208	726,026	88,690	6,838,554
Segment result – 31 December 2014	44,858	(2,434)	74,444	(1,181,416)	(1,064,548)
Assets – 31 December 2014	14,167,776	74,811	999,030	3,683,926	18,925,543
Liabilities – 31 December 2014	10,801,484	132,622	1,157,445	1,162,661	13,254,212
Consolidated	Production \$	New Life \$	Technology \$	Corporate \$	Total \$
Revenue – 31 December 2013	6,542,193	107,305	769,286	-	7,418,785
Segment result – 31 December 2013	265,513	(14,611)	155,597	(4,364)	402,135
Assets 30 June 2014	11,807,909	37,325	191,104	4,132,469	16,168,807
Liabilities 30 June 2014	7,739,974	117,825	591,488	1,755,324	10,204,611

Note 4. Revenue

	Consolidated	
	2014	2013
	\$	\$
Sales of goods and raw materials	6,838,554	7,418,785
<i>Other revenue</i>		
Government grants	40,156	432
Foreign exchange gains	8,885	8,082
Interest	46,525	-
	95,566	8,518
Revenue	6,934,120	7,427,303

Australia Samly Holdings Group Limited
Notes to the financial statements
31 December 2014

Note 5. Current assets - other

	Consolidated	
	31 December	
	2014	30 June 2014
	\$	\$
Prepayments	<u>4,109,926</u>	<u>1,224,315</u>

The Group entered into a contract to provide exclusive sponsorship to a Chinese TV show, whilst also gaining reciprocal rights to use the TV show branding on the Group's products. The rights have been secured for a year at the cost of \$3,794,915 (RMB19 million). The cost of the contract is being recognised over the course of the contract, as the rights are used up. As at 31 December the remaining contract cost to be expensed was \$2,935,646 (RMB14,697,900).

An amount of \$1,168,523 relates to the purchase of raw materials that have been received from the suppliers after balance sheet date (2013: \$852,299).

Note 6. Current liabilities - borrowings

	Consolidated	
	31 December	
	2014	30 June 2014
	\$	\$
Bank loans (i)	4,054,567	2,635,614
Loan from director (ii)	<u>1,147,702</u>	<u>1,790,856</u>
	<u>5,202,269</u>	<u>4,426,470</u>

- (i) The Group has three bank loans outstanding with Industrial Bank Co., Ltd Shenzhen Branch. The first loan amount is RMB2.3 million and is repayable in April 2015, with an annual interest rate of 6.90%. The second loan amount is RMB10 million and is repayable in April 2015, with an annual interest rate of 7.80%. The third loan amount is RMB8 million and is repayable in September 2015, with an annual interest rate of 8.10%. All loans are secured against the private assets of Mr Chen, the Chairman and executive director of the Company, and a guarantee of \$3.1 million provided by Mr Chen.

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

Note 7. Equity - reserves

	Consolidated	
	31 December	
	2014	30 June 2014
	\$	\$
Foreign currency reserve	966,182	220,466
Surplus profits reserve	<u>254,279</u>	<u>204,230</u>
	<u>1,220,461</u>	<u>424,696</u>

Note 8. Equity - dividends

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

Note 9. Contingent liabilities

There were no other contingent liabilities as at 31 December 2014 or 30 June 2014.

Note 10. Commitments

There were no significant changes to commitments reported at 30 June 2014

Note 11. Fair value measurements

The carrying value and trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature.

The fair value of financial liabilities arising from borrowings are also assumed to approximate their fair value due to the short term nature and terms.

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

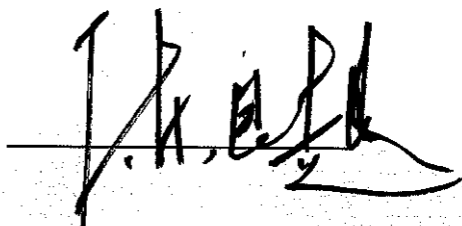
Australia Samly Holdings Group Limited
Directors' declaration
31 December 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'T. H. [unclear]', written over a horizontal line.

17 March 2015
Melbourne

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australia Samly Holdings Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australia Samly Holdings Group Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australia Samly Holdings Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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

BDO East Coast Partnership



James Mooney
Partner

Melbourne, 17 March 2015