Shenhua International Limited
ACN 134 436 730

Annual Financial Report for the year ended 30 June 2016

Contents

CORPORATE DIRECTORY

DIRECTORS
Ms. Xiaohong, Chen
Mr. Philip Widjaya
Ms. Lijuan, Wang
Mr. James Yong, Wan
Mr. Pierre Lau

COMPANY SECRETARY
Ms. Sherry Tao, Xue

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DIRECTORS' REPORT

Your directors present this report (**Report**) together with the financial statements of Shenhua International Ltd (**Company**) and its controlled entities (collectively, **Consolidated Group** or **Group**) for the financial year ended 30 June 2016.

Directors

The Directors in office during the year and at the date of this Report are as follows:

Ms. Xiaohong, Chen
Independent Non-executive Chairman (Appointed on 19 December 2014)

Xiaohong Chen has over 20 years' experience in accounting, enterprise management and financing. She brings to the Company her strong and acute business acumen together with her extensive knowledge of accounting and credit rating. She is the Chief Accountant in Shaoxing Xin Yuan Enterprise Ratings Co. Ltd, which is a leading credit rating firm in the Shaoxing area in China.

Ms. Chen is a member of the Audit and Risk Committee and a member and the chairperson of the Remuneration and Nomination Committee.

Interests in shares: *Nil*

Mr. Philip Widjaya
Executive and Managing Director (Appointed on 15 November 2012)

Philip is the co-founder and Chairman of Shaoxing Shenhua Textiles Co., Ltd (**SST**), as well as the Managing Director of the Company.

Philip has accumulated 30 years of operational experience in sales and management within the home textile products sector. He was amongst the first Chinese businessmen to successfully take their textile trading business to the international arena and thus possesses a strong knowledge of the global home textile product industry and its development trends. Philip holds a professional title of Senior Economist in China.

Interests in shares: 73,350,000

Ms. Lijuan, Wang
Executive Director (Appointed on 1 November 2013)

Ms Wang holds the position of Assistant General Manager of SST and is also an executive director of the Company. Ms Wang is in charge of financial management of the Group's business, which includes supervision of financial managers and being responsible for asset management, cost profit management and financial accounting of the Group. Ms Wang is a member of the Audit and Risk Committee.

Interests in shares: *Nil*

Mr. James Yong, Wan
Independent Non-executive Director (Appointed on 1 November 2013)

James is a successful business entrepreneur who has developed several successful businesses in Australia and China, including an investment company and a home textile company (focusing on export sales). He has carried out various corporate executive roles in a number of companies both in Australia and China. One of his business accolades was having his home textile company, Jiangxi Home Textile Co. Ltd, awarded as one of the top ten "Best Foreign Trade Enterprises" by Nanchang City Government and the Jiangxi Provincial Government respectively in 2004. James brings to the Group his rich experience operating businesses in both Australia and China, including his management skills in running several successful home textile businesses.

James is a member and the chairperson of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

Interests in shares: *Nil*

Mr. Pierre Lau
Non-executive Director (Appointed on 19 December 2014)

Pierre Lau is an Australian qualified senior commercial lawyer with Australian law firm Chambers & Company. He is experienced in advising and working with private and public companies on a broad range of commercial and legal matters.

Pierre is a member of the Remuneration and Nomination Committee.

Pierre also held the position of non-executive director of the ASX-listed company Emperor Range Group Limited.

Apart from the above, none of the directors of the Company have held any other directorships with any other listed company during the period.

Interests in shares: 10,000

Company Secretary

Sherry Tao, Xue *(Appointed 2 December 2008)*

Sherry continues to hold the position of Company Secretary and Public Officer of the Company during the financial year.

She has more than 20 years' experience in the financial industry in Australia, Singapore and China at senior management levels with companies including China Commodity Futures Exchange, China Galaxy Securities Corporation, Kinghing Securities Co. Ltd and one of Singapore's commercial banks.

Interests in shares: *Nil*

Principal Activities

The principal activity of the Consolidated Group during the financial period was the manufacture and distribution of medium to high quality textiles and finished products using the same fabrics, which products are suitable for internal furnishing and decorative purposes in domestic and commercial settings. The Consolidated Group's business and manufacturing base is in Shaoxing County, Zhejiang Province, China and operated through SST (Shaoxing Shenhua Textiles Co., Ltd).

There has been no significant change in the nature of the principal activities undertaken during the financial period.

REVIEW OF OPERATIONS

Operating Results

The results for the year ended 30 June 2016 show revenues of $56.6 million and profit after taxation of $6.3 million compared to revenues of $73.9 million and profit after taxation of $1.4 million for the year ended 30 June 2015.

Performance and highlights

The Board is pleased to report that the Group's business continues to show good performance in its international and domestic markets. The main points on operational activities and performance are presented below:

i. The Company continued to concentrate on developing countries, including China and internationally the fast-growing emerging markets of South Africa and Cuba.

ii. The Company attended the Russian Textiles Exhibition in September 2015 to further develop its European client base.

iii. The Company attended the American Textiles Exhibition in New York in July 2015 to further develop its American client base.

iv. Revenues from the UK market were increased 60% compared with last financial year.

v. The Group improved its scientific and standardized management, cultivated its staff's sense of social responsibility, and actively developed its corporate social responsibility management system. The Group continues working to improve the welfare of its employees and to nurture a sense of ownership among them.

vi. The Group remains committed to increasing its sales of finished goods using its home textiles (such as curtains, pillows and quilts) as finished goods, which compared to fabrics, still proves to yield a relatively higher gross profit margin.

vii. The Group also continued to focus on new products and design development and rationalise product pricing increases despite challenging market conditions and increasing costs.

Future Developments, Prospects and Business Strategies

The Directors expect the Group's profitable performance to continue in FY2017. The Management believes that the Group can maintain positive profit levels in the following year despite the challenging economic environment.

The Group will continue to focus on increasing penetration of the expanding China market. The Group currently sells products to wholesale and retail customers within China. With driving factors such as China's high rate of urbanisation, the Group believes that its familiarity with its business home market will enable it to further capture more market share.

The Group expects to further increase the sales of its finished goods through direct sales to retailers. The Group's business has experienced strong sales growth for its finished goods which commands a relatively higher gross profit margin compared with its fabrics.

The Group plans to further strengthen its focus on emerging export markets which, compared to developed countries, have better potential for the Group to increase its market share and volume. In particular, countries in Cuba and South Africa will be key target export markets in the next few years.

The Group is working on to develop e-commerce capability through www.taobao.com to sell its products directly.

The Group's export clients are primarily made up of wholesalers who may on sell to local and overseas markets. The Group still plans to establish overseas sales offices to maintain and expand international market share and further gain local market knowledge.

At the same time, the Group will also actively explore other emerging markets in order to maintain its existing market share as well as improve its market penetration.

Significant changes in affairs

During the year, the following significant changes occurred within the Group:

A) Two pieces of industrial land total 7,650sqm and 15,463sqm, which were owned by the Group, were compulsory acquired by the Shaoxing Government. As a result buildings built on these lands were also being disposed. The lands were acquired by the government for a consideration of $7.4 million and a gain on sale of $3.3 million was recognised.

B) On 26th November 2015, a supplementary loan agreement was signed between Shaoxing Shenhua Textile Co., Ltd (as Lender) and Shaoxing County Shenhua Decoration Co., Ltd (SDL as Borrower), a director related entity and the Group which supplemented and amended an original loan agreement entered between the same parties on 15 October 2014 for the provision of a secured interest bearing loan facility. The borrowed funds are primarily for SDL to fund investment and working capital in the steel plate pressing operation owned by its subsidiary, Zhejiang Binhai Metal products (BHMP).

Under the supplementary loan agreement, the loan facility is capped at $134.8 million (RMB 666.69 million) and the loan facility interest carries a fixed interest rate of 5.22% p.a. (2015: 6% p.a.) which is comparable with the market rate of similar loan in PRC payable on an annual basis and is secured against the land use rights and non-current assets of SDL and BHMP with the carrying value of approximately $73 million (RMB 361 million) as of 30 June 2016.

Under a further supplementary loan agreement signed between the parties on 1 April 2016 to further amend the original loan agreement whereby the loan facility was further reduced and capped at $78.2 million (RMB 386,693,298) with the same interest as per the first supplementary loan agreement.

Events after the reporting period

On 11 February 2016, the Company received an email from ASIC that it was of the view that because the Original Loan Agreement (as amended by the First Supplementary Loan Agreement) is a related party loan that requires commitment of a major proportion of the Company's available capital that an Independent Expert Report (IER) which evaluates (1) the fairness and reasonableness of the loan and (2) the value of the securities being provided against the loan would be necessary in the circumstances to provide shareholders with sufficient information for their voting decision.

On 6 September 2016, PKF Melbourne – DMR Corporate Pty Ltd provided the final IER and on 8 September 2016, ASIC issued no comments regarding the IER. Having considered the circumstances and terms of the First Supplementary Loan Agreement and the Second Supplementary Loan Agreement, as well as the advice from the Company's management personnel and Chinese legal counsel on the legality of the Loan, the First Supplementary Loan Agreement and the Second Supplementary Loan Agreement, the Board has reasonable basis to hold the view that this related party transaction is on standard Chinese market terms. Notwithstanding, as a matter of prudency both the First Supplementary Loan Agreement and the Second Supplementary Loan Agreement will be presented to shareholders for approval at the following AGM.

Indemnities given to, and insurance premiums paid for, auditors and officers

During the year, Shenhua International Limited paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Share options and Employee Share Option Plan

No director or other key management executive has interests in the options of the Company as at the date of this Report.

At the date of this Report, there has yet to be any participation under the Plan by any of the Company’s executives or employees.

REMUNERATION REPORT – AUDITED

The Directors of Shenhua International Limited ('the Group') present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

Remuneration policy

The remuneration policy of the Group is designed to align executive objectives with shareholders' and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of the Company believes the remuneration policy should be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

Board remuneration

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Non-executive directors are entitled to remuneration as determined by the directors in which remuneration must not exceed in aggregate the maximum amount determined by the Group in the general meeting. This maximum amount remains unchanged and is currently not to exceed $150,000 per annum, to be apportioned among the non-executive directors as determined by the Board in its absolute discretion.

The remuneration of non-executive Directors must not include a commission on, or a percentage of, profits or operating revenue. Directors may also be reimbursed for reasonable travelling, hotel and other expenses incurred in performance of their duties. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes special exertions for the benefit of the Group.

It is noted that Mr James Yong Wan and Ms Xiaohong Chen have agreed with the Group not to receive any remuneration for their respective appointments as non-executive directors of the Group in FY2015-16. Mr Philip Widjaya and Ms Lijuan Wang will not receive any remuneration from the Company, but will instead be remunerated under their existing executive employment contracts with SST (see sections below – Employment contracts of the Company's executive directors for Philip Widjaya and Lijuan Wang). Mr Pierre Lau will receive $30,000 per annum for his services as a non-executive director.

Use of Remuneration Consultants

No remuneration consultants were engaged during the year.

Key management remuneration

The remuneration of the employees of the Group are principally determined by the employment policies of the Group and in accordance with applicable labour laws in Australia, Hong Kong or China (as the case may be) and formalised under written contracts. The principal factors for determining remuneration include the length of service and the level of experience and skills of the employee as well as the overall performance of the Group. The Group's key management executives are based in Shaoxing where the Group's operating subsidiary, SST is based. The standard Chinese Government three year contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

Voting and comments made at the company's 2015 Annual General Meeting

Shenhua International Ltd received more than 99% of "yes" votes on its remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration or nomination practices.

Employment details of the Group's key management personnel

The following table provides details of persons who were, during the financial year, members of key management personnel of the consolidated Group, receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options (if any).

Group key management personnel	Position held as at 30 June 2016 and any change during the year	Proportion of elements of remuneration related to performance – Fixed salary/fees %	Position(s) held with which entity
Company Directors			
Chen Xiaohong	Non-executive Chairman	0%	The Company
Philip Widjaya	Managing Director of the Company and Chairman of SST	0%	The Company and SST
Wang Lijuan	Executive Director of the Company and Assistant General Manager of SST	0%	The Company and SST
Wan Yong	Non-Executive Director	0%	The Company
Pierre Lau	Non-Executive Director	0%	The Company
Executives			
Wang Juan	General Manager	0%	SST
Zhang Lijiang	Assistant General Manager	0%	SST
Chen Jianjun	Financial Manager	0%	SST
Zheng Jinyao	Assistant General Manager	0%	SST
Sherry, Xue Tao	Company secretary	0%	The Company

There were no changes to directors and executives subsequent to year end.

Performance Related Remuneration

No members of the key management personnel are entitled to receive performance based remuneration as part of their remuneration package.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four (4) financial years:

Item	2016	2015	2014	2013	2012
EPS (cents)	4.97	1.1	5.9	6.2	8.7
Dividends (cents per share)	-	-	1.5	2.5	2.5
Net profit / loss ($'000)	6,257	1,435	7,398	7,777	10,904
Share price ($)	0.35	0.40	0.44	0.24	0.33

Share Interests of Key Management Personnel (KMP)

Shares held in Shenhua International Limited (number)

30 June 2016	Balance 1 July 2015 Ordinary	Granted as Remuneration Ordinary	Net Change Other Ordinary	Balance 30 June 2016 Ordinary
Directors				
Chen Xiaohong	-	-	-	-
Philip Widjaya*	73,350,000	-	-	73,350,000
Wang Lijuan	-	-	-	-
Wan Yong	-	-	-	-
Pierre Lau	10,000	-	-	10,000
Other Key Management Personnel #				
Zhang Lijiang	144,000	-	-	144,000
Chen Jianjun	117,000	-	-	117,000
Zheng Jinyao	173,000	-	-	173,000
Wang Juan	-	-	-	-
Xue Tao	-	-	-	-
Total	73,794,000	-	-	73,794,000

* Held through Philip Widjaya's beneficial interest in Joyful Huge Holdings Ltd.

\# For the purposes of this Report, the term 'Other Key Management Personnel' refers to senior executives of the Company, the Group, and the Company Secretary.

Details of Remuneration for the Year Ended 30 June 2016

The following table of benefits and payments details, in respect of the financial year, the components of remuneration for each member of the key management personnel of the consolidated Group receiving the highest remuneration.

(i) Remuneration of Key Management Personnel for the year ended 30 June 2016

	Short-Term			Share-based Payment			
30 June 2016	**Salary & Fees $**	**Bonus $**	**Other $**	**Shares $**	**Options $**	**Total $**	**% Performance Related**
Directors							
Chen Xiaohong	-	-	-	-	-	-	N/A
Philip Widjaya*+	42,308	-	-	-	-	42,308	N/A
Wang Lijuan*+	29,532	-	-	-	-	29,532	N/A
Wan Yong*+	-	-	-	-	-	-	N/A
Pierre Lau**	30,000	-	-	-	-	30,000	N/A
Other key management personnel							
Zhang Lijiang*+	29,900	-	-	-	-	29,900	N/A
Chen Jianjun*+	29,501	-	-	-	-	29,501	N/A
Zheng Jinyao*+	33,305	-	-	-	-	33,305	N/A
Wang Ju An*+	41,655	-	-	-	-	41,655	N/A
Sherry, Tao Xue***	42,000	-	-	-	-	42,000	N/A
Total	**278,201**					**278,201**	

(ii) Remuneration of Key Management Personnel for the year ended 30 June 2015

	Short-Term			Share-based Payment		Total $	% Performance Related
30 June 2015	**Salary & Fees $**	**Bonus $**	**Other $**	**Shares $**	**Options $**	**Salary & Fees $**	**Bonus $**
Directors							
Chen Xiaohong	-	-	-	-	-	-	-
Philip Widjaya*+	37,379	-	-	-	-	37,379	-
Wang Lijuan*+	30,979	-	-	-	-	30,979	-
Wan Yong*+	-	-	-	-	-	-	-
Pierre Lau**	43,620	-	-	-	-	43,620	-
Other key management personnel							
Zhang Lijiang*+	34,120	-	-	-	-	34,120	-
Chen Jianjun*+	30,804	-	-	-	-	30,804	-
Zheng Jinyao*+	33,416	-	-	-	-	33,416	-
Wang Ju An*+	34,854	-	-	-	-	34,854	-
Sherry, Tao Xue***	18,894	-	-	-	-	18,894	-
Total	**264,066**	**-**	**-**	**-**	**-**	**264,066**	

** Salaries of SST senior executives are reviewed annually and actual paid amounts may vary from contracted amounts.*
*** Pierre Lau is an employee of Chambers and Company, which provided legal work to the Company in the ordinary course of business at a value of $52,800 (2015: $32,108) during the year. Director fee of $30,000 is still outstanding for the current financial year.*
****$12,596 paid during the current financial year, the remaining amount is still outstanding and accrued for.*
+ Amounts stated are A$ equivalent of RMB for those directors and key management personnel paid by SST
There were no termination payments made during the year.

Service Agreements

Managing Director – Philip Widjaya
Mr Widjaya has renewed the Executive Employment Deed dated 1 February 2015 with the Company. Under this deed, Mr Widjaya is appointed as Managing Director of the Company. The deed has a 3-year term which began on 1 February 2015 and expired on 1 February 2018.

As part of the deed, the Managing Director is required to operate the Company's business in accordance with the Company's business plans and budgets. The duties of the Managing Director are commensurate with the executive's role as the Managing Director of the Company, as well as any duties that may, from time to time be assigned to him by the Board.

The Managing Director may terminate his employment by giving 4 weeks' written notice to the Company. The Company may terminate the Managing Director's employment by giving 4 weeks' written notice to the Managing Director or immediately without giving notice if the Managing Director engages in serious and wilful negligence or misconduct.

Mr Widjaya will not be remunerated by the Company pursuant to the deed he has executed with the Company. He will however receive remuneration through the following existing employment contracts with SST:

- for his role as chairman of SST, Mr Philip Widjaya has entered into a separate employment agreement with Shenhua which commenced on 1 January 2008 under which he is entitled to receive payment of a base salary as well as performance based commission. This employment agreement contains standard employment provisions which comply with China's employment and legal requirements; and
- on 10 May 2014, SST entered into a supplementary employment agreement with Mr. Philip Widjaya for his rights, obligations and remuneration as the chairman of the board of directors of Shenhua which commenced on 10 May 2008 and will operate until 9 May 2017. According to this supplementary agreement, Mr Widjaya will be entitled to receive up to RMB 200,000 per year as remuneration for acting as chairman of SST but actual amount paid is reviewed year by year and may therefore vary.

Executive Director - Lijuan Wang

Ms Wang will be remunerated through the following existing employment contracts with SST:

- for her role as assistant general director, Ms Lijuan Wang entered into an employment agreement with SST. Under this employment agreement, Ms Wang is entitled to receive payment of a base salary as well as performance based commission. This employment agreement contains standard employment provisions which comply with China's employment and legal requirements – it is expected that this employment agreement will be further extended without significant change to its terms; and
- on 1 January 2008, Shenhua entered into a supplementary employment agreement with Ms Wang for her rights, obligations and remuneration as the assistant general manager of SST which commenced on 1 January 2008 and will operate until 31 December 2018. According to this supplementary agreement, Ms Lijuan Wang will be entitled to receive up to RMB 100,000 per year as remuneration for her role with SST but actual amount paid is reviewed year by year and may therefore vary.

The major provision of the services agreements relating to remuneration are set out below:

Name	Base salary	Term of agreement	Notice period
Directors			
Chen Xiaohong	-	Annually*	4 Weeks
Philip Widjaya	$40,440 (RMB 200,000)	3 Years	4 Weeks
Wang Lijuan	$20,220(RMB 100,000)	10 Years	4 Weeks
Wan Yong	-	Annually*	4 Weeks
Pierre Lau	$30,000	Annually*	4 Weeks
Other key management personnel			
Zhang Lijiang	$20,220(RMB 100,000)	5 Years	30 Days
Chen Jianjun	$20,220 (RMB 100,000)	5 Years	30 Days
Zheng Jinyao	$20,220 (RMB 100,000)	5 Years	30 Days
Wang Ju An	$20,220 (RMB 100,000)	5 Years	30 Days
Sherry, Tao Xue	$42,000	Annually*	4 weeks

*: Subject to directors' requisite rotation and shareholder approval**.** In the case of the Company Secretary, annually subject to the Board approval.

Transactions with Key Management Personnel and related parties

Related Party Transactions	**Consolidated Group**	
	2016 $000	**2015 $000**
Utilities charged to a related party – Shaoxing County Shenhua Decoration Co., Ltd [(1)]	69	43
Loan Interest received from – Shaoxing County Shenhua Decoration Co. Ltd	3,248	5,420
Loan repayment received from –Shaoxing County Shenhua Decoration Co. Ltd.	50,369	4,785
Purchases of services from Chambers and Company [(2)]	53	32
Payment to Chambers and Company	36	-
Purchases of inventory from Shaoxing Shenlian Textile Co., Ltd[(3)]	-	748
Sales to Shaoxing Shenlian Textile Co., Ltd[(3)]	-	1,098
Payment made to Shaoxing Shenlian Textile Co., Ltd	-	1,112
Dividend payments to Joyful Huge Holdings Limited[(4)]	4,813	2,892
Dividend declared to Joyful Huge Holdings Limited	-	1,100
Dividend payments to Philip Widjaya	763	-
Purchase on behalf of Shenhua International Ltd[(6)]	275	117

Related Party Balances	**Consolidated Group**	
	2016 $000	**2015 $000**
Related party receivable from Shaoxing County Shenhua Decoration Co.,Ltd[(1)]	44,942	94,599
Related party payable to Joyful Huge Holdings[(4)]	10,304	15,649
Related party payable to Xia Yajun[(5)]	235	235
Related party payable to Shaoxing Shenlian Textile Co., Ltd[(3)]	-	-
Related party payable to Chambers and Company	30	13
Related party payable to Mr. Philip Widjaya	-	763
Related party payable to Ms. Wang Li Fang[(6)]	392	117

(1) Shaoxing Shenhua Decoration Co.,Ltd is a related party of Philip Widjaya, Managing Director of the Group, whose ownership is 58.8%. Transaction relates to borrowing and repayment of principal and interests of related party loan between Shaoxing Shenhua Textile Co., Ltd and Shaoxing County Shenhua Decoration Co., Ltd.

(2) Chambers and Company is a legal service provider to the Group, in which Mr Pierre Lau is a director.

(3) Shaoxing Shenlian Textile Co., Ltd is a related party of Philip Widjaya, Managing Director of the Group.

(4) Joyful Huge Holdings Limited is owned and controlled by Philip Widjaya, Managing Director of the Group.

(5) Xia Yajun is son of Philip Widjaya, Managing Director of the Group.

(6) Ms. Wang Lifang, who is the sister of Mrs Wang Lijuan (Executive Director), has been paying the administrative expenses incurred by Shenhua International Limited on behalf of the Group.

Other transactions with Key Management Personnel

As at 30 June 2016, Bank loan of $16.5 million with China Construction Bank and notes payable are guaranteed by Mr. Philp Widjaya and his wife (Mrs. Yanjuan Wang).

End of audited Remuneration Report.

Directors' Meetings

The number of meetings of Directors held during the period and the number of meeting attended by each Director were as follows:

	Board Meetings	***Sub-Committee Meetings***	
		Audit and Risk Committee	*Remuneration and Nomination Committee*
Ms. Xiaohong, Chen	1	4	1
Mr. Philip Widjaya	2	0	0
Ms. Lijuan, Wang	2	4	0
Mr. James Yong, Wan	1	4	1
Mr. Pierre Lau	2	0	1
Total Number of Meetings	2	4	1

It is noted that all significant decisions of the Board have been carried out via circulating resolutions signed by all Board members.

Committee Membership

As at the date of this Report, the Company had established the Audit and Risk Committee, and Remuneration and Nomination Committee pursuant to its Corporate Governance Plan (a copy of this plan can be found on the Company's website www.zjhdbl.com).

Members acting on the Committees of the Board at the date of this Report were as follows:

Audit and Risk Committee	*Remuneration and Nomination Committee*
▪ Mr. James Yong, Wan (Chairman) ▪ Ms. Xiaohong, Chen ▪ Ms. Lijuan, Wang	▪ Ms. Xiaohong, Chen (Chairman) ▪ Mr. James Yong, Wan ▪ Mr. Pierre Lau

Diversity

As at the date of this Report, the Company had adopted a Diversity Policy (a copy of this policy can be found on the Company's website www.zjhdbl.com.)

The measurable objectives for achieving gender diversity includes:

- Representation at each role level including board and senior management by gender and age;
- Gender salary comparison by role level;
- Parental leave return dates;
- Representation by age, role level and gender on flexible work arrangements;
- Representation by age and gender in leadership programs; and
- Gender representation in the talent and succession planning process.

The Company is working towards implementing and achieving each of the above objectives.
As at the date of this Report:

- two of the five Board members are women, representing 40% of the Board;
- one of the five senior executives (defined as 'Other Key Management Personnel' in the "Interests of the Key Management Personnel" section of the Directors' Report) are women, representing 20 % of senior executives, and the Company expects to retain this proportion.
- The proportion of women in the whole organisation is approximately 60% and the Company expects to maintain similar levels in the next three to five years.

Dividends

After consideration of the full-year trading results, the Board has resolved that no dividends will be paid in respect of the financial year ended 30 June 2016 (2015: nil).

Environmental issues

The Company was not subject to any particular or significant environmental regulations of the People's Republic of China or Australia during the financial year.

Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

Indemnification of officers and auditors

The Company has entered into a Deed of Indemnity with each director.

At the time of this report the Company has entered into an insurance contract to provide directors and officers liability insurance.

Other than that stated above, the Company has not during or since the financial period ended, agreed to indemnify an officer or auditor of the Company against a liability as such an officer or auditor.

Auditor

Grant Thornton Audit Pty Ltd continues in office to act as the auditor of the Company.

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 page18 and forms part of this directors' report.

Non-audit services

The Company may decide to employ Grant Thornton the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

The board of directors has considered the position and in accordance with the advice received from the Audit and Risk committee, is satisfied that the position of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the position of the non-audit services by the auditor, as set out below did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board to ensure that they do not impact the impartiality and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional accountants set by the Accounting Profession and Ethical Standards Board.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 3 to the Financial Statements.

This Report has been signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

For and on behalf of the directors

Philip Widjaya

Managing Director

30 September 2016

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SHENHUA INTERNATIONAL LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Shenhua International Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 30 September 2016

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Shenhua International Ltd and its Controlled Entities (**the Group**) have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Group complies with the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for the financial year beginning 1 July 2014 (**ASX Principles**). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight (8) core principles. All of these practices, unless otherwise stated, were in place for the full reporting period. The Group's Corporate Governance Statement for the financial year ending 30 June 2016 is dated as at 30 June 2015 and was approved by the Board on 20 October 2015. Further information on the Group's corporate governance policies and practices can be found on Shenhua International Ltd's website at http://www.zjhdbl.com/

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016	Note	Consolidated Group	
		2016	2015
		$000	$000
Sales Revenue	2	56,644	73,888
Cost of sales		(49,311)	(62,160)
Gross profit		7,333	11,728
Other income	2	3,684	637
Interest revenue	2	4,081	6,524
Distribution costs		(758)	(675)
Administration costs	3	(4,193)	(8,668)
Finance costs		(1,696)	(4,834)
Profit before income tax		8,451	4,712
Income tax expense	4	(2,194)	(3,277)
Profit for the year attributable to members of the Parent		6,257	1,435
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		(6,343)	23,895
Total comprehensive income (loss) for the year attributable to members of the Parent		(86)	25,330
Earnings per share			
Earnings per share attributable to Owners of the Parent			
Basic and diluted earnings per share (cents)	5	4.97	1.1

The accompanying notes should be read in conjunction with the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016	Note	Consolidated Group	
		2016	2015
		$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	6,566	2,435
Trade and other receivables	7	42,351	57,371
Inventories	8	5,391	8,059
TOTAL CURRENT ASSETS		54,308	67,865
NON-CURRENT ASSETS			
Other financial assets	9	755	798
Loans and other receivables	7	36,853	88,185
Property, plant and equipment	10(a)	12,480	16,295
Land use rights	10(b)	55,607	62,183
TOTAL NON-CURRENT ASSETS		105,695	167,461
TOTAL ASSETS		160,003	235,326
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	14,879	55,090
Borrowings	12	16,482	17,532
Notes payable	13	21,884	56,998
Current tax liabilities		3,949	2,811
TOTAL CURRENT LIABILITIES		57,194	132,431
TOTAL LIABILITIES		57,194	132,431
NET ASSETS		102,809	102,895
EQUITY			
Issued capital	14	38,439	38,439
Reserves	15	12,215	18,558
Retained earnings		52,155	45,898
TOTAL EQUITY		102,809	102,895

The accompanying notes should be read in conjunction with the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

			Consolidated Group				
			Reserves				
	Note	Issued capital	Statutory common reserve	Common control reserve	Foreign currency translation reserve	Retained Earnings	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 July 2014		38,439	3,454	(19,440)	4,250	52,750	79,453
Total profit or loss for the year		-	-	-	-	1,435	1,435
Other comprehensive income for the year		-	-	-	23,895	-	23,895
Total comprehensive income		-	-	-	23,895	1,435	25,330
Transfer between retained earnings and statutory common reserve		-	6,399	-	-	(6,399)	-
Dividends declared	16	-	-	-	-	(1,888)	(1,888)
Balance at 30 June 2015		38,439	9,853	(19,440)	28,145	45,898	102,895
Balance at 1 July 2015		38,439	9,853	(19,440)	28,145	45,898	102,895
Total profit or loss for the year		-	-	-	-	6,257	6,257
Other comprehensive income for the year		-	-	-	(6,343)	-	(6,343)
Total comprehensive income					(6,343)	6,257	(86)
Balance at 30 June 2016		38,439	9,853	(19,440)	21,802	52,155	102,809

The accompanying notes should be read in conjunction with the financial statements.

STATEMENT OF CASH FLOW

For the year ended 30 June 2016	Note	Consolidated Group 2016 $000	2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		60,299	80,357
Payments to suppliers and employees		(48,971)	(67,705)
Interest received		833	1,104
Finance costs		(1,656)	(4,653)
Income tax paid		(898)	(2,311)
Net cash provided by operating activities	19	9,607	6,792
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for land use right		(32,729)	(16,392)
Payments for Property, Plant and Equipment		(26)	(1,768)
Disposal of financial assets		-	257
Proceeds from disposal of land use right		2,022	-
Interest received - related party loan		3,248	5,420
Proceedings from related parties		44,543	5,180
Net cash used in investing activities		17,058	(7,303)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		16,483	17,532
Repayment of borrowings		(16,584)	(17,532)
Dividends paid	16	(5,576)	(6,441)
Advance of security deposit of notes payables		15,300	15,142
Proceeds (repayment) of notes payables		(32,033)	(14,276)
Net cash (used in) / provided by financing activities		(22,410)	(5,575)
Net (decrease) / increase in cash held		4,255	(6,086)
Cash and cash equivalents at beginning of financial year	6	2,435	6,647
Effect of exchange rates on cash holdings in foreign currencies		(124)	1,874
Cash and cash equivalents at end of financial year	6	6,566	2,435

The accompanying notes should be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of significant accounting policies

Nature of Operation

The principal activity of the Consolidated Group during the financial period was the manufacture and distribution of medium to high quality textiles and finished products using the same fabrics, which products are suitable for internal furnishing and decorative purposes in domestic and commercial settings. The Consolidated Group's business and manufacturing base is in Shaoxing County, Zhejiang Province, China and operated through Shaoxing Shenhua Textile Co., Ltd.

General Information and Statement of Compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Shenhua International Ltd. is a for-profit entity for the purpose of preparing the financial statements.

Shenhua International Limited is the Group's Ultimate Parent Company. Shenhua International Ltd. is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 41, ANZ Tower, 55 Collins Street Melbourne VIC 3000.

This report has been authorized by Board of Directors on 30 September 2016

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Basis of Preparation

a. **Basis of Consolidation**

The Group financial statements consolidate those of Shenhua International Limited (the Parent Company) and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Note 1: Summary of significant accounting policies (cont.)

b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c **Rounding of amounts**

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

d. **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

e. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Note 1: Summary of significant accounting policies (cont.)

f. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Useful life**
Buildings	20 years
Plant and Machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Intangible Asset (Land use right)

Land use rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of land use rights over their estimated useful lives, 70 years with respective amortisation rate of 1.43% per annum. The remaining useful life of land use right as at 30 June 2016 is 66 years. Refer note 10(b).

Note 1: Summary of significant accounting policies (cont.)

g. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

h. **Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

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.

i. **Trade and other payables**

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

j. **Financial Instruments**

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition

- loans and receivables
- financial assets at Fair Value Through Profit or Loss (FVTPL)
- Held-To-Maturity (HTM) investments; or
- Available-For-Sale (AFS) financial assets

Note 1: Summary of significant accounting policies (cont.)

j. **Financial Instruments (cont.)**

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently holds listed bonds designated into this category.
HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities and debentures, and the equity investment.

The equity investment is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

Note 1: Summary of significant accounting policies (cont.)

j. **Financial Instruments (cont.)**

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

k. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Note 1: Summary of significant accounting policies (cont.)

l. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

m. **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

Note 1: Summary of significant accounting policies (cont.)

n. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

o. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 6 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

p. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST) or Value Added Tax (VAT).

q. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

r. **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST and VAT, except:

- when the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- receivables and payables are stated inclusive of the amount of GST/VAT.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

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

Note 1: Summary of significant accounting policies (cont.)

s. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) *Income taxes*

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(ii) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight line basis over their useful life. Management estimated the useful life of these assets to be within 3 to 25 years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of financial assets

The Group assess impairment at each reporting date by evaluation conditions specific to the Group that may lead to impairment of financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(iv) Guarantee for related party loan with Shenhua Decoration Ltd

The related party loan advanced to Shenhua Decoration Ltd (Director related entity) has been secured by the property of Shenhua Decoration Ltd and Zhejiang Binhai Metal Ltd. The value of items pledged as security is determined based on lower of amortised book value or external valuation report for impairment assessment purpose.

u. **Contributed equity**

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.

v. **New and amended standards adopted by the Group**

There are no new and/or revised Standards and Interpretations adopted in these Financial Statements affecting presentation or disclosure.

w. **Accounting Standards issued but not yet effective and not being adopted early by the Group**

At the date of authorisation of the Financial Statements, a number of Standards and Interpretations were on issue but not yet effective. In the Directors' opinion, the following Standard on issue but not yet effective are most likely to impact the amounts reported by the Group in future financial periods:

Standard / Interpretation	Effective Date	Expected to be initially applied in the financial year ending
• AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards [Part E- Financial Instruments), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014).	1 January 2018	30 June 2019
• AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards - Effective date of AASB 15	1 January 2018	30 June 2019
• AASB 16 'Leases'	1 January 2019	30 June 2020
• AASB 2014-4 'Amendments to Australian Accounting Standards- Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
• AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
• AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
• AASB 2016-1 'Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
• AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

Based on the Group's preliminary assessment, above standards are not expected to have material impact on the transaction and balances recognized in the financial statements when they are adopted.

Note 2: Revenue and Other Income

		Consolidated Group	
		2016	2015
		$000	$000
Revenue			
Sale of goods		56,644	73,888
Other income			
Scrap sales		-	637
Gain on disposal of land use rights	(a)	3,338	-
Miscellaneous income		346	-
		3,684	637
Interest revenue			
Related party loan interest		3,248	5,420
Interest from security deposit		833	1,104
		4,081	6,524

(a) During the year, two pieces of industrial land and the buildings built on these lands, which were owned by the group, were compulsory acquired by the Shaoxing government. The consideration relating to this acquisition was $7.4 million (RMB 36.5 million) and a gain on sale of $3.3 million (RMB 16.5 million) was recognised. Refer note 10(a) and 10(b).

Note 3: Expenses

	Consolidated Group	
	2016	2015
	$000	$000
Administration Costs		
Employment benefits	793	1,406
Depreciation	215	345
Amortisation	960	1,735
Local taxes	892	820
Hospitality and travelling	71	112
Communication expenses	113	138
Impairment of Trade Receivables	-	1,290
Other administration expenses	1,149	2,822
	4,193	8,668

	2016	2015
Auditor's remuneration	$000	$000
Grant Thornton Audit Pty Ltd		
Auditing and review of the financial report	118	110

Note 4: Taxation

	Consolidated Group	
	2016	**2015**
	$000	**$000**
Profit before tax	**8,451**	**4,712**
Prima facie tax payable on profit before income tax at 30% (2015: 30%)	2,535	1,414
Adjustment for tax-rate differences in foreign jurisdictions	(437)	(297)
Tax loss of foreign entity not recognized	96	372
Adjustment for non-deductible expenses	-	1,788
Actual tax expense	**2,194**	**3,277**
The applicable weighted average effective tax rate	**26%**	**69%**

The Group is subject to the tax law of Australia and its operating subsidiaries are separately subject to income law of Hong Kong and People's Republic of China (PRC). The Group is not a tax consolidated group; tax loss incurred by one subsidiary is not deductible to another.

Tax losses in the parent entity have not been recognized as it is likely they will not be utilized due to the parent entity's holding nature of operation. Tax losses in other subsidies outside of China are not presented as they are unlikely to be realized due to the nature of the entity being holding company.

Note 5: Earnings per Share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share.

	Consolidated Group	
	2016	**2015**
	$000	**$000**
Profit attributed to ordinary equity holders of the parent	6,257	1,435
Weighted average number of shares for basic earnings per share	125,857,000	125,857,000
Basic and diluted earnings per share	4.97 cents	1.1 cents

Note 6: Cash and Cash Equivalents

	Consolidated Group 2016 $000	2015 $000
Cash and bank balances	6,566	2,435

Cash and cash equivalents are denominated in the following currencies:

	Consolidated Group 2016 $000	2015 $000
Chinese Renminbi	6,478	2,430
Australian dollars	3	5
United States dollars	85	-
	6,566	2,435

Note 7: Trade and Other Receivables

Current Trade and Other Receivables		Consolidated Group 2016 $000	2015 $000
Trade receivables (Gross)	(b)	11,027	15,155
Provision for doubtful debts		(2,695)	(2,849)
Other receivables - advances to suppliers	(c)	1,027	1,813
Other receivables – from sales of land use rights		5,357	-
Advances to a related party	(a)	8,089	6,414
Security deposit for Notes Payable	(d)	19,546	36,838
Net trade and other receivables		42,351	57,371

Non-current loan receivables from related party			
(Shaoxing County Shenhua Decoration Co., Ltd)	(a)	36,853	88,185

Reconciliation of provision for doubt debts		
Balance at 1 July	(2,849)	(1,157)
Impairment loss	-	(1,290)
Foreign exchange difference	154	(402)
Balance 30 June	(2,695)	(2,849)

(a) On 26th November 2015, a supplementary loan agreement was signed between Shaoxing Shenhua Textile Co. Ltd (as Lender) and Shaoxing County Shenhua Decoration Co., Ltd (SDL, as Borrower), a director related entity and the Group which supplemented and amended an original loan agreement entered between the same parties on 15 October 2014 for the provision of a secured interest bearing loan facility. The borrowed funds are primarily for SDL to fund investment and working capital in the steel plate pressing operation owned by its subsidiary, Zhejiang Binhai Metal products (BHMP).

Note 7: Trade and Other Receivables (Con't)

Under the supplementary loan agreement, the loan facility is capped at $134.8 million (RMB 666.69 million) (2015: $99.8 million; (RMB 466.69 million)) and the loan facility interest carries a fixed interest rate of 5.22% p.a. (2015: 6% p.a.) which is comparable with the market rate of similar loan in PRC payable on an annual basis and is secured against the land use rights and non-current assets of SDL and BHMP with the carrying value of approximately $73 million (RMB 361 million) (2015: $83 million (RMB 388 million)) as of 30 June 2016. Assets of SDL and BHMP pledged to the Group as collateral of loan amounts has been registered with the PRC government agent with expiration date on 26 November 2016 and expected to be renewed upon expiration.

Under a further supplementary loan agreement signed between the parties on 1 April 2016 to further amend the original loan agreement whereby the loan facility was further reduced and capped at $78.2 million (RMB 386,693,298) with the same interest as per the first supplementary loan agreement.

The current year related party loan balance represents the principal receivable within the next 12 months. The non-current portion of the related party loan to SDL of $36.9 million represents the amount that will not be received within the next 12 month based on the repayment terms.

The loan term ends on 30 June 2022 and all principal needs to be repaid in full by end of the term. The director expected SDL and BHMP to make half annual repayments to reduce the amount owed based on the loan repayment schedule. Refer to note 25 for details on related parties' transactions and balances.

(b) **Aging analysis of trade receivables that are past due but not impaired**

	Gross amount $000	Past due and impaired $000	Past due but not impaired (days overdue) < 30 $000	31–60 $000	61–300 $000	>300 $000	Within initial trade terms $000
2016							
Trade receivables	11,027	2,302	1,675	636	1,328	101	4,985
Total	11,027	2,302	1,675	636	1,328	101	4,985

	Gross amount $000	Past due and impaired $000	Past due but not impaired (days overdue) < 30 $000	31–60 $000	61–300 $000	> 300 $000	Within initial trade terms $000
2015							
Trade receivables	15,155	2,646	1,251	365	3,103	108	7,682
Total	15,155	2,646	1,251	365	3,103	180	7,682

Trade receivables are denominated in the following currencies:

	Consolidated Group 2016 $000	2015 $000
Renminbi	570	991
United States dollar	10,457	14,164
	11,027	**15,155**

(c) The advances paid to suppliers which were unsecured, interest-free and repayable on demand, represent down-payment for the supply of raw materials.

Note 7: Trade and Other Receivables (Con't)

(d) Short-term bank security deposits of $19,546,235 (2015: $36,837,770) were interest bearing and pledged as security deposit for notes payable (refer Note 13) which is not available for general use by the Group but offset against Notes Payable on maturity. The effective interest rate on short-term bank security deposit was 1.43% p.a. (2015: 3% p.a.)

Note 8: Inventories

	Consolidated Group	
	2016	**2015**
	$000	**$000**
Raw materials at cost	350	759
Work-in-progress at cost	353	607
Finished goods at cost	4,688	6,693
	5,391	**8,059**

Note 9: Other Financial Assets

		Consolidated Group	
		2016	**2015**
		$000	**$000**
Non-current - available-for-sale financial asset			
Unquoted equity investment			
- a financial institution	(a)	319	337
- a guarantee company	(b)	436	461
		755	798

(a) The unquoted equity investment comprises 0.25% equity interest in a financial institution in the PRC which is recorded at acquisition cost. Movement from prior year balance is purely due to exchange differences. This financial institution is not similar in nature and size to any quoted entities. There is also no active market for the equity interest. As such, it is not practicable to determine with sufficient reliability the fair value of the unquoted equity shares. Therefore, the equity investment is measured at cost.

(b) The unquoted equity investment comprises 1.92% equity interest in a guarantee company in the PRC which is recorded at acquisition cost; movement from prior year balance is purely due to exchange differences. The guarantee company is not similar in nature and size to any quoted entities. There is no active market for the equity interest. As such, it is not practicable to determine with sufficient reliability the fair value of the unquoted equity shares. However, the directors do not anticipate that the carrying amount of the unquoted equity investment will be significantly in excess of its fair value.

(c) The Group does not plan to dispose equity investment until the investees are listed on the PRC stock exchange which is not expected to occur within next 12 month of the signing date of the annual report.

Note 10(a): Property, Plant and Equipment

	Buildings[i] $000	Plant and machinery $000	Office equipment $000	Motor vehicles $000	Total $000
Cost					
At 1 July 2015	18,866	28,034	959	1,336	**49,195**
Additions	-	-	-	26	**26**
Disposal[ii]	(1,976)	-	-	-	**(1,976)**
Foreign exchange difference	(1,022)	(1,516)	(51)	(73)	**(2,662)**
At 30 June 2016	15,868	26,518	908	1,289	**44,583**
Accumulated depreciation					
At 1 July 2015	6,084	24,818	852	1,146	**32,900**
Depreciation	974	274	10	36	**1,294**
Disposal	(243)	-	-	-	**(243)**
Foreign exchange difference	(381)	(1,356)	(47)	(64)	**(1,848)**
At 30 June 2016	6,434	23,736	815	1,118	**32,103**
Net book value					
At 30 June 2016	9,434	2,782	93	171	**12,480**
At 30 June 2015	12,782	3,216	107	190	**16,295**

	Buildings $000	Plant and machinery $000	Office equipment $000	Motor vehicles $000	Total $000
Cost					
At 1 July 2014	13,627	22,553	768	1,075	**38,023**
Additions	1,764	-	4	-	**1,768**
Foreign exchange difference	3,475	5,481	187	261	**9,404**
At 30 June 2015	18,866	28,034	959	1,336	**49,195**
Accumulated depreciation					
At 1 July 2014	4,058	19,351	672	892	**24,973**
Depreciation	952	699	15	34	**1,700**
Foreign exchange difference	1,074	4,768	165	220	**6,227**
At 30 June 2015	6,084	24,818	852	1,146	**32,900**
Net book value					
At 30 June 2015	12,782	3,216	107	190	**16,295**
At 30 June 2014	9,569	3,202	96	183	**13,050**

(i) Buildings are on leasehold land located at Yangxunqiao Industrial Area, Shaoxing County, Zhejiang Province, The People's Republic of China.

(ii) During the year, two pieces of industrial land total 7,650sqm and 15,463 sqm, which were owned by the Group, were compulsory acquired by the Shaoxing Government. As a result buildings built on these lands were also being disposed. The lands were acquired by the government for a consideration of $7.4 million (RMB 36.5 million) and a gain on sale of $3.4 million (RMB 15.8 million). Refer to Note 2 and Note 10(b).

(iii) Total depreciation expense for the reporting period comprises of depreciation recognized thru administration cost (refer Note 3) as well as those capitalized in inventory and expensed via COGS during the year.

Note 10(b): Land Use Rights

	2016 $000	2015 $000
Cost		
At 1 July	65,410	10,204
Additions	-	52,726
Disposal	(2,459)	-
Foreign exchange difference	(3,535)	2,480
30 June	59,416	65,410
Amortisation		
At 1 July	3,227	1,070
Amortisation	960	1,735
Disposal	(151)	-
Foreign exchange difference	(227)	422
At 30 June	3,809	3,227
Net book value	55,607	62,183

(a) During the year, two pieces of industrial land total 7,650sqm and 15,463 sqm, which were owned by the Group, were compulsory acquired by the Shaoxing Government. As a result buildings built on these lands were also being disposed. The lands were acquired by the government for a consideration of $7.4 million (RMB 36.5 million) and a gain on sale of $3.4 million (RMB 16.5 million). Refer to Note 2 and Note10 (a).

(b) The remaining life of the land use rights are 66 years (2015: 67 years).

(c) Two land use rights which are 9,287 sqm and 20,962 sqm respectively with total net carrying amount of $13.87 million (RMB 68.6 million) are being pledged against short-term bank borrowing of $16.48 million with China Construction Bank, refer to Note 12.

Note 11: Trade and Other Payables

		Consolidated Group	
		2016 $000	2015 $000
Trade and other payables	(a)	3,948	38,360
Amounts owed to related parties	(b)	10,931	16,730
		14,879	55,090

(a) Significant reduction in trade and other payables is mainly due to payments of outstanding payable approximately $34 million made to the Shaoxing County Government and Shaoxing County Urban Development Ltd in relation to nature transfer of land use rights and property acquisition.

(b) Amount due to related parties are unsecured, interest free and repayment on demand which mainly consists of a $10.3 million other payable to Joyful Huge Holdings Ltd (a director related entity to Mr. Philip Widjaya). Joyful Huge Holdings Co., Ltd has indicated that they will not require settlement before 31 December 2018. Remaining balances relates to amount owe to directors in relation to working capital contributed. Refer Note 25 for related parties' transactions and balances.

Note 12: Borrowings

	Consolidated Group	
	2016	2015
	$000	$000
Bank loans: -		
- China Construction Bank Shaoxing Branch	16,482	17,532
	16,482	17,532

The borrowings are all denominated in Chinese Renminbi, with repayment terms ranging from March 2016 to March 2017. Interest is charged at 4.35% (2015: 5.59%) per annum.

The borrowings are secured by land use rights held by the Group as disclosed in Note 10(b) and guaranteed by Mr Philip Widjaya and his wife (Mrs Yanjuan Wang).

Note 13: Notes Payable

The notes payable are denominated in RMB and secured against certain bank deposits of the Group as disclosed in Note 7(d). The note payables mature on varying dates between July 2016 (2015: July 2015) and December 2016 (2015: December 2015).

Mr. Philip Widjaya (Executive Director) and Yanjun Wang (Mr. Philip Widjaya's wife) provided personal guarantee over the notes payable for the differences (shortfall), if any, between the notes payable and bank deposits given as security.

Note 14: Issued capital

The share capital of the Group consists only of fully paid ordinary shares; the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Group.

	Consolidated Group	
	2016	2015
	$000	$000
125,857,000 (30 June 2015: 125,857,000) fully paid ordinary shares	38,439	38,439

	2016	2014
	Number	Number
Ordinary shares		
Balance at beginning of the year	125,857,000	125,857,000
Balance at end of the year	125,857,000	125,857,000

Capital Management

The Group monitors capital on the basis of the carrying amount of equity plus its subordinated loan, less cash and cash equivalents as presented on the face of the statement of financial position.

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensue that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Note 15: Reserves

		Consolidated Group 2016 $000	2015 $000
Statutory common reserve	(a)	9,853	9,853
Common control reserve	(b)	(19,440)	(19,440)
Foreign currency translation reserve	(c)	21,802	28,145
		12,215	18,558

(a) Statutory Common Reserve

According to the current People's Republic of China company law, Shaoxing Shenhua Textile Co., Ltd is required to transfer between 5% - 10% of its profit after taxation to statutory common reserve until the common reserve reaches 50% of the registered capital. For the purpose of calculating the transfer to the reserve, the profit after taxation shall be the amount determined under People's Republic of China accounting standards. The transfer to this reserve must be made before the distribution of dividends.

(b) Common Control Reserve

The common control reserve has arisen following the adoption of the pooling of assets method used to account for the acquisition.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Note 16: Dividends

	Consolidated Group 2016 $000	2015 $000
Dividend declared	-	1,888
Dividend paid	5,576[(1)]	6,441

(1) Ordinary dividends owed to major shareholder (Mr. Philip Widjaya) from prior years totalling $5.6 million was fully paid during the year. This amount was accrued under "Amount owed to related parties" in the prior year. Refer to Note 11 (b) and Note 25.

Note 17: Financial Risk Management Objectives and Policies

The Group's financial instruments carried on the statement of financial position consist of following items:

Financial assets	**2016 $'000**	**2015 $'000**
Available for sale financial assets	755	798
Trade and other receivables (current)	42,351	57,371
Loan receivables (non-current)	36,853	88,185
Cash and cash equivalents	6,566	2,435
Totals	**86,525**	**148,789**

	2016 $'000	**2015 $'000**
Financial liabilities measured at amortised cost		
Trade and other payables	14,879	55,090
Notes payable	21,884	56,998
Current borrowings	16,482	17,532
Totals	**53,245**	**129,620**

All financial instruments are recorded at their amortised cost

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the Group's financial performance through a system of internal controls set by the Management.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group does not have any written financial risk management policies and guidelines.

Note 17: Financial Risk Management Objectives and Policies (Cont.)

17.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from interest-bearing advances given to third parties and a related party, fixed deposits placed with financial institutions and bank borrowings.

The interest rates of fixed deposits placed with financial institutions, interest-bearing advances given to related party, and bank borrowings are disclosed in Note 6, Note 7 and Note 12 respectively.

Sensitivity analysis
For the variable rate financial liabilities owing for bank borrowings, a change of 50 basis points ("bp") in interest rate at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2016		2015	
Profit or loss	50bp increase $000	50bp decrease $000	50bp increase $000	50bp decrease $000
Variable rate instruments	(82)	82	(88)	88

17.2 Price risk

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

17.3 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies, other than the functional currencies of the Group or its controlled entities.

The Group has transactional currency exposures arising from sales or purchases that are denominated in USD. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group also holds cash and cash equivalents denominated in USD for working capital purposes.

Note 17: Financial Risk Management Objectives and Policies (Cont.)

Sensitivity analysis for foreign currency risk

Most of the Group's transactions are carried out in RMB. Exposures to currency exchange rates mainly arise from some trade receivable balances, which are primarily denominated in United States dollars (USD).

Foreign currency (USD) denominated financial assets and liabilities which expose the Group to foreign currency risk are disclosed below. The amounts shown are those reported to key management translated into RMB at the closing rate:

	AUD $'000
30 June 2016	
Financial assets	10,542
Financial liabilities	-
Total Exposure	**10,542**
30 June 2015	
Financial assets	14,703
Financial liabilities	-
Total Exposure	**14,703**

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the Group's profit before taxation and equity.

	2016		**2015**	
	Profit net of taxation $000	**Equity $000**	**Profit net of taxation $000**	**Equity $000**
United States dollar				
- strengthened by 10% (2015: 10%)	837	837	1,574	1,574
- weakened by 10% (2015: 10%)	(837)	(837)	(1,574)	(1,574)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risks.

The group functional currency is RMB and the majority of its assets and liabilities are denominated in that currency. No financial instruments are utilised to mitigate this risk.

17.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's exposure to credit risk arises primarily from trade and other receivables, note receivables and cash placed with financial institutions

Note 17: Financial Risk Management Objectives and Policies (Cont.)

Management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an ongoing basis. With this credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially. The Group does not require collateral in respect of financial assets.

The Group performs ongoing credit evaluation of its customers' financial condition. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

The Group receives collateral in the form of property, plant and equipment as well as land user rights from Shaoxing Shenhua Decoration Co., Ltd and Zhejiang Binhai Metal Products Co., Ltd. The carrying amounts of the collateral amounts to $73 million (RMB 361 million), which exceeds the related party loan balances of $44.9 million (RMB 222 million) as at reporting date. In case of default, the Group is able to dispose the collateral assets to recover amount owing to the Group. Refer Note 7 for details.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group's exposure to customer concentration risk relates to its dependence on major customers. The Group's top 10 customers in the financial reporting year generated 64% (2015: 72%) of the Group's revenues during the financial period. Other receivables arise from secured loan made to Shaoxing County Shenhua Decoration Co.,Ltd (Director related party), which is 75% (2015: 87%) of total trade and other receivable balance (net).

At reporting date, the Group has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The aging analysis of financial assets that are past due but not impaired are disclosed in Note 7.

17.4 Liquidity risk

Liquidity or funding risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from the deposits pledged with banks for providing a note payable facility where the extent of deposits as to the quantum to be called and period covered are at the full discretion of the banks at any time.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	2016 Less than 1 year $000	**2015 Less than 1 year $000**
Trade and other payables*	4,623	55,090
Note payables	21,884	56,998
Bank borrowings**	17,004	18,099
	43,511	130,187

*Joyful Huge Holding Ltd (director related entity) has agreed to extend the amount payable by the Group of $10.3 million and will not request repayment of the balance before 31 December 2018.
**Bank borrowing of $17,004 consists of principal component ($16,482) and future interest component ($521)

The Group reviews its cash flow regularly to ensure that the Group maintains an adequate level of liquidity for its operations to meet this commitment to the banks.

Note 18: Financial Instruments

Fair values
The directors consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the Consolidated Financial Statements approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Valuation techniques and assumptions applied for the purpose of measuring fair value

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Fair value measurement recognised in the consolidated statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels1 to 3 based on the degree to which their fair value is observable.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Note 18: Financial Instruments (Cont.)

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
At 30 June 2016				
Available-for-sale investments				
Unquoted investments				
- a financial institution[(1)]	-	-	319	319
- a guarantee company[(2)]	-	-	436	436
	-	-	755	755

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
At 30 June 2015				
Available-for-sale investments				
Unquoted investments				
- a financial institution	-	-	337	337
- a guarantee company	-	-	461	461
	-	-	798	798

(1) The investee is not a listed company. Based on review of December 2015 annual report of the investee, the percentage share of the net assets greatly exceeds its book value. No indication of impairment is noted as at the end of the current financial year. From a conservative point of view, the financial instrument is still recorded at its cost due to there is no available market for the Group to realise the gain from the investment.

(2) The investee is not a listed company. Based on available financial information of the guarantee company, the guarantee company is still in a profit making position for the financial year ended 31 December 2015. There has been no indication of impairment noted and the management deemed it is appropriate to record the investment at its original cost.

The fair value of financial instruments traded in active markets (such as available-for-sale quoted equity investment) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by The Group is the current bid price. These instruments are included in Level 1.

As noted in Note 9, it is not practicable to determine with sufficient reliability the fair value of equity interests; hence according to AASB 139 such instruments are recorded at cost and included in Level 3.

The movement in Level 3 financial instruments from prior period is due to foreign exchange difference which has been accounted for in the foreign currency translation reserve.

Note 19: Cash Flow

	Consolidated Group	
	2016	**2015**
	$000	**$000**
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	6,257	1,435
Non-cash flows in profit		
Depreciation/amortisation	2,254	1,700
Impairment loss on trade and other receivables	-	1,290
Interest received included in investing and financing	(3,248)	(5,420)
Gain from disposal of asset included in investing	(3,338)	-
Net unrealised foreign currency gains/ (losses)	(4,130)	23,933
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	9,917	(17,868)
(Increase)/decrease in inventories	2,664	(2,021)
Increase/(decrease) in trade payables and accruals	(1,907)	2,417
Increase/(decrease) in income taxes payable	1,138	1,326
Cash flows from operations	9,607	6,792

Note 20: Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of nature of activities, and operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to each of the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Types of products and services by segment

The Group considers that there is only one segment, being the manufacture and sale of fabric and bedding products, as this is how the Group is managed by the chief operating decision makers. All assets and liabilities are allocated to this segment.

Note 20: Operating Segments (Cont.)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Revenue from different Geographical location

	Revenue 2016	Non-current assets 2016	Revenue 2015 $'000	Non-current assets 2015 $'000
China	11,921	105,695	17,232	166,504
Overseas	44,723	-	56,656	-
Total	**56,644**	**105,695**	**73,888**	**166,504**

Country	2016
South Africa	11,823
Benin	6,597
UK	5,669
Italy	4,855
Algeria	1,989
Russia	1,728
Brazil	1,594
Chile	1,544
Mexico	1,252
UAE	896
Other countries	6,776
Total	**44,723**

Country	2015
Benin	7,490
France	1,152
Iran	1,055
Nigeria	5,316
Ukraine	698
Russia	1,429
South Africa	2,695
UAE	19,712
Uganda	5,098
UK	3,535
Other countries	8,476
Total	**56,656**

Revenues from external customers have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

Note 20: Operating Segments (Cont.)

Major customers

External customers with revenue greater than 10% of the total revenue:

Customer	Region	Revenue	% over total sales
Customer A	Overseas	6,597,247	12%
Customer B	Overseas	5,634,708	10%
Customer C	Overseas	5,189,515	10%

Note 21: Commitment

At the date of signing this report, the company is not aware of any commitments that should be disclosed.

Note 22: Contingent Liabilities

At the date of signing this report, the Group is not aware of any contingent liabilities that should be disclosed in accordance with AASB137.

Note 23: Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the reporting date to the date of authorization which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting period.

Note 24: Shenhua International Limited – Parent Company Information

	2016 $000	2015 $000
Parent entity		
Assets		
Current assets	9,480	9,475
Non-current assets	25,067	25,067
Total assets	34,547	34,542
Liabilities		
Current liabilities	929	13,432
Non-current liabilities	12,809	-
Total liabilities	13,738	13,432
Equity		
Issued capital	38,439	38,439
Retained earnings	(17,630)	(17,330)
Total equity	20,809	21,109
Financial performance		
Loss for the year	(300)	(1,242)
Other comprehensive income	-	-
Total comprehensive loss	(300)	(1,242)

Note 25: Related Party Disclosure

The immediate parent and ultimate controlling party of the Group is Shenhua International Limited (incorporated in Australia). Balance and transaction between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

In addition to the related party information disclosed elsewhere in the financial statement, belows are significant related party transactions entered with related parties at mutually agreed amounts:

Related Party Transactions	**Consolidated Group**	
	2016	**2015**
	$	**$**
Utilities charged to a related party – Shaoxing County Shenhua Decoration Co., Ltd [1]	68,572	42,826
Loan Interest received from – Shaoxing County Shenhua Decoration Co. Ltd	3,248,248	5,420,098
Loan repayment received from –Shaoxing County Shenhua Decoration Co. Ltd.	50,369,287	10,204,757
Purchases of services from Chambers and Company [2]	52,800	32,108
Payment to Chambers and Company	36,300	18,908
Purchases of inventory from Shaoxing Shenlian Textile Co., Ltd[3]	-	748,445
Sales to Shaoxing Shenlian Textile Co., Ltd[3]	-	1,098,166
Payment made to Shaoxing Shenlian Textile Co., Ltd	-	1,112,349
Dividend payments to Joyful Huge Holdings Limited[4]	4,813,000	2,891,582
Dividend declared to Joyful Huge Holdings Limited	-	1,100,250
Dividend payments to Philip Widjaya	763,000	-
Payment of purchases on behalf of Shenhua International Ltd[6]	275,365	116,906

Related Party Balances	**Consolidated Group**	
	2016	**2015**
	$	**$**
Related party receivable from Shaoxing County Shenhua Decoration Co.,Ltd[1]	44,942,309	94,598,630
Related party payable to Joyful Huge Holdings[4]	10,304,188	15,648,508
Related party payable to Xia Yajun[5]	235,000	235,000
Related party payable to Shaoxing Shenlian Textile Co., Ltd[3]	-	-
Related party payable to Chambers and Company	29,700	13,200
Related party payable to Mr. Philip Widjaya	-	763,000
Related party payable to Ms. Wang Li Fang[6]	392,270	116,906

(1) Shaoxing Shenhua Decoration Co.,Ltd is a related party of Philip Widjaya, Managing Director of the Group, whose ownership is 58.8%. For more details of the transaction, refer to Note 7 (a).

(2) Chambers and Company is a legal service provider to Shenhua International Ltd, in which Mr Pierre Lau is a director.

(3) Shaoxing Shenlian Textile Co., Ltd is a related party of Philip Widjaya, Managing Director of the Group.
(4) Joyful Huge Holdings Limited is owned and controlled by Philip Widjaya, Managing Director of the Group.
(5) Xia Yajun is son of Philip Widjaya, Managing Director of the Group.
(6) Ms. Wang Lifang, who is the sister of Mrs Wang Lijuan (Executive Director), has been paying the administrative expenses incurred by Shenhua International Limited on behalf of the Group.

Guarantee provided by related parties
Bank loan of $16.5 million with China Construction Bank and notes payable disclosed in Note 13 are guaranteed by Mr. Philp Widjaya and his wife (Mrs. Yanjuan Wang).

Note 26: KMP Remuneration

Key management personnel remuneration
The totals of remuneration paid to the key management personnel of the Group during the year are as follows:

	2016 $	2015 $
Short term benefits	278,201	264,066

Other key management personnel transactions

There were no other key management personnel transactions incurred by the Group during the financial year except for those disclosed in Note 25.

Note 27: Controlled entities

Controlled Entities Consolidated

	Country of Incorporation	**Percentage Owned (%)***	
		2016	**2015**
Subsidiaries of Shenhua International Limited			
- Talent and Value International Investment Ltd	Hong Kong	100	100
- Shaoxing Shenhua Textile Co., Ltd	People's Republic of China	100	100
- Shaoxing Shentai Real Estate Co., Ltd	People's Republic of China	100	100

* Percentage of voting power is in proportion to ownership

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 20 to 54 are in accordance with the Corporations Act 2001, and:

    - Complies with the Australian Accounting Standards.;
    - Give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Consolidated Group; and
    - Complies with International Financial Reporting Standards as described in Note 1.

2. The Managing Director and Chief Finance Officer has declared that:
    - The financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
    - The financial statements and notes for the financial year comply with the Australian Accounting Standards; and
    - The financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Philip Widjaya

Managing Director

30 September 2016

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHENHUA INTERNATIONAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Shenhua International Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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*.

Auditor's Opinion

In our opinion:

a the financial report of Shenhua International 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 the notes to the financial statements.

Report on the Remuneration Report

We have audited the Remuneration Report included in 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.

Auditor's Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Shenhua International Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 30 September 2016

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

Shareholdings as at 30 September 2016

a. **Distribution of Shareholders**

Category (size of holding)	**Number Ordinary**
1 – 1,000	3
1,001 – 5,000	371
5,001 – 10,000	13
10,001 – 100,000	84
100,001 – and over	52
	523

b. The number of security investors holding less than a marketable parcel of 1429 securities ($0.350 on 18/09/2015) is 7 and they hold 5930 securities.

c. **20 Largest quoted equity security holders – Ordinary Shares**

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1	Team Up Limited	24,450,000	46.57%
2	Mr. Yongfu Xia	1,838,375	3.50%
3	Ms Yanjuan Wang	1,373,000	2.61%
3	Mr. Yajun Xia	1,373,000	2.61%
4	Mr. Guoxing Xia	1,084,000	2.06%
4	Mr. Yong Gen Zhou	1,084,000	2.06%
5	Ms Chanjuan Wang	1,083,000	2.06%
6	Mr. Xiaoming Hu	904,000	1.72%
6	Mr. Yajun Xia	904,000	1.72%
7	Mr. Xiao Jun Wan	893,999	1.70%
8	Mr. Guanglin Shan	759,000	1.45%
9	Mr. Lizhong Shao	723,000	1.38%
10	HSBC Custody Nominees (Australia) Limited	713,000	1.36%
11	Ms Yuxiang Sun	707,700	1.35%
12	Ms Lifang Wang	584,800	1.11%
13	Ms Suyun Bian	542,000	1.03%
13	Mr. Bingrong Sun	542,000	1.03%
13	Mr. Yong Qiao Yuan	542,000	1.03%
13	Mr. Jiade Zhao	542,000	1.03%
14	Mr. Xiaochun Jin	434,000	0.83%
15	Ms Zhifen Lu	400,000	0.76%
16	Mr. Han Qi Yuan	392,514	0.75%
17	Mr. Xuequan Wang	390,000	0.74%
18	Mr. Jian Guo Lu	362,000	0.69%
18	Mr. Guantu Sun	362,000	0.69%

18	Mr. Jian Xiang Xu	362,000	0.69%
18	Mr. Hong Sheng Zhu	362,000	0.69%
18	Mr. Yeqi Zhu	362,000	0.69%
19	Mr. Lei Jun Cai	348,985	0.66%
20	Mr. Peixing Luo	307,000	0.58%
	Total In This Report	44,725,373	85.18%
	Total Other Investors	7,781,627	14.82%
	Grand Total	52,507,000	100.00%

* Philip Widjaya has beneficial interest.

d. **Substantial Shareholders**

Substantial shareholders in the company are set out below:

Ordinary Shares	Number Held	Percentage
Joyful Huge Holdings Limited	73,350,000	58.28%
Team Up Limited	24,450,000	19.43%

e. **Voting Rights**

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

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

(b) Options

There are no voting rights attached to the options. As at the date of this report, there are no unlisted options to acquire shares in the Company.

COMPANY SECRETARY

Ms Sherry Tao, Xue held the position of Company Secretary of the Company during and at the end of the financial year.

PRINCIPAL REGISTERED OFFICE AND INCORPORATION

The Company was incorporated in Australia with its registered office being Level 41, ANZ Tower, 55 Collins Street, Melbourne VIC 3000.

CASH USAGE

The Company has in the financial year used its cash and assets (in a form readily convertible to cash) that it had at the time of its admission into the ASX in a way which is and remains consistent with its business objectives.

STOCK EXCHANGE LISTING

The Company's ASX code is SHU.