



LionHub Group Limited

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ASX Release (ASX Code: LHB)

30 March 2017

Financial Report Year Ended 31 December 2016

LionHub Group Limited ("LionHub" – ASX Code: LHB) Financial Report for the Year Ended 31 December 2016 is attached.

The loss for the year after tax is \$(3,461,000) which is \$930,000 less than the loss of \$(4,391,000) previously reported in the Company's Preliminary Final Report lodged with the Australian Securities Exchange on 28 February 2017.

The variation of \$930,000 arises from an error detected by the Company's Auditors during the course of their audit pertaining to the carrying value of the Investment Agreement for the Lu'an Singapore Creative Ecological and Industrial Park in Anhui Province, China (the Lu'an Project). The Auditors identified an error in the independent valuation report which the Board had previously relied upon for the purposes of preparing the Preliminary Final Report.

The independent valuers have now revised their valuation report for the Lu'an Project resulting in a decrease to the impairment charge in the amount of \$930,000 and consequent changes throughout the financial statements.

For further information:

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Andrew J. Cooke, Company Secretary + 61 412 090 826 andrewcooke@lionhub.com.au

About LionHub Group Limited

LionHub Group Limited is a publicly listed real estate development company focusing on technology park development in China. The Company's portfolio provides Australian investors with an early mover advantage in the mainland Chinese property sector.

LionHub enjoys the support of its major shareholder, the Lian Huat Group, with a 20 year history and extensive property interests across Singapore, Australia and China.

LionHub's focus is to provide an avenue for investors to exploit the potential offered by technology park developments in China, with the Company's first project being the Singapore Xuancheng Techno Park in Anhui Province. Following shareholder approval, in August 2015 the Company acquired a 100% working interest to develop the master plan and to construct and develop a second technology park on land known as Lu'An Singapore Eco-Park.

Anhui Province is located in central China, with a large population of 60 million in an area of 139,600 km². It lies in the hinterland of Yangtze Delta, with great economic development potential. The province is set to benefit from China's ongoing urbanisation of regional areas, with a current GDP per capita that is below the national level, and its proximity to the Shanghai, Zhejiang and Jiangsu growth belt as well as vast tourism and other resources such as transportation and a large population base.

Further information (including recent announcements and investor presentations) is available at the Company's web site: www.lionhub.com.au

LIONHUB GROUP LIMITED

ABN 29 119 999 441

FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2016

This Financial Report was authorised for issue by the Directors on 30 March 2017. The Company has the power to amend and re-issue the financial report.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2016.

DIRECTORS

The names and details of the company's directors in office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Choon Keng Kho (Non-Executive Chair) Appointed 24 September 2014

Mr Kho is the Executive Chairman of the Singapore-based Lian Huat Group. He graduated with First Class Honours in BSc (Engineering) from King's College University of London. Mr Kho also holds strong belief in corporate social responsibility and commits the Lian Huat Group and himself to various honourable charity and community works in Singapore and Australia.

Mr Kho is Chair of the Remuneration and Nomination Committee.

Mr Geoffrey Ellison McIntyre (Non-Executive Deputy Chair) Appointed 15 May 2014; Retired on 23 May 2016.

Mr McIntyre has over 60 years' experience in the banking sector in both Australia and Singapore. In 1995, Mr McIntyre was appointed to the position of Honorary Trade Representative Australia and continues his contact with Singapore in a number of ways. He was appointed a director of the Bank of China Aust. Ltd. in 2005, Chairman in 2006 and retired in 2010. Mr McIntyre is a Fellow of the Australian Institute of Company Directors, a Life Member of the former Australian Institute of Bankers, a Fellow of the Financial Services Institute of Australasia ("FINSIA"), and a graduate of the Australian Administrative Staff College.

In the 2002 Singapore National Day Honours he was awarded the Public Service Medal ("PSM") by the President of Singapore for his services in promoting Australian/Singapore relations. In the 2005 Australian National Day Honours he was made a Member ("AM") in the General Division of the Order of Australia for service to business and finance through the banking sector, to the promotion of international relations and to the community. In October 2008, he was made the Inaugural Life Member of the Overseas Bankers Association of Australia.

Mr McIntyre was a member of the Remuneration and Nomination Committee.

Ms Kwee Jee Lee (Non-Executive Director) Appointed 26 November 2013

Ms Lee spent 20 years working in the Singapore Public Sector formulating and overseeing policies in the Ministries of Finance, the Environment and Defence. She also spent a year in IE Singapore promoting Singapore companies and products. Ms Lee has additionally spent 20 years working for large multinational corporations such as GE, Singapore Technologies Pte Ltd and ST Telemedia, focussing on human capital development and building strategic relations for business expansion. She is a Board Member of MOV Corporation Ltd.

Ms Lee is Chairman of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.

Mr Patrick Chuan Thye Kho (Non-Executive Director) Appointed 24 September 2014

Mr Kho is the Group Managing Director of Lian Huat Group. He graduated in 1988 with a Second Class Upper BA degree from the University of Cambridge. He subsequently obtained an MA from the University of Cambridge in 1991. Mr Kho is also a Chartered Financial Analyst.

As the Managing Director of Lian Huat Group, Mr Kho manages the Lian Huat Group's Singapore property development and investment businesses as well as the Lian Huat Group's property investments and hotel businesses in Australia and China. In recent years, he spearheaded property development projects in Singapore with a Gross Development Value ("GDV") of close to \$645m.

Ms Jamie Gee Choo Khoo (Non-Executive Director) Appointed 26 November 2013

Ms Khoo graduated with a MBA from University of Hull, UK and is a fellow member of the Institute of Singapore Chartered Accountants and a Member of Singapore Institute of Directors. Ms Khoo has over 20 years' experience in accounting and corporate finance with extensive experience in corporate funding, investment evaluation, due diligence and corporate structuring. Ms Khoo holds directorships in ASX-listed Stemcell United Limited and Invitrocue Limited. She is currently the Deputy CFO of a China-Based Info technology Company.

Ms Khoo is a member of the Audit and Risk Committee.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT (Continued)

Mr Kim Huat Koh (Non-Executive Director) Appointed 15 May 2014

Mr Koh has extensive experience as a member on the boards of many private and publicly listed companies, including Singapore and/or Hong Kong-listed Rowsley Ltd, UPP Holdings Ltd, Eagle Brand Holdings Ltd and Hong Kong Fortune Ltd. He was Executive Director of Hong Kong Fortune Ltd in 1994 and retired in May 2013 as Executive Chairman of UPP Ltd.

Mr Koh also has intimate knowledge of China and of property development. He was Head of Singapore's diplomatic mission(s) in Shanghai from 1991 till 1994. He then went on to head up the property businesses for Chia Tai group in China. Chia Tai was then one of the largest foreign investors in China. Its property investments include the commercial downtown of Pudong, Shanghai and other cities. Prior to his retirement last year, he was also a director of Vantage Bay, a company involved in property development in Iskandar Johor.

Mr Koh was a Singapore Government scholar. He graduated from National University of Singapore with a Bachelor of Engineering (civil), 2nd Upper Honours. He spent many years serving the Singapore government in different departments. These included administrative service of Singapore Government, its diplomatic mission in Shanghai and Government of Singapore Investment Corporation (GIC).

Mr Koh is a member of the Audit and Risk Committee.

Company Secretary

Mr. Andrew J. Cooke LLB, FAICS (Appointed 1 March 2016)

Mr Cooke has extensive experience in law, corporate finance and as company secretary of ASX listed companies. He is responsible for the company secretarial function including stock exchange and regulatory compliance.

DIRECTORS' MEETINGS

The number of Directors' and committee of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below.

The Directors met 6 times during the year. All Board meetings were main meetings and there were no meetings held to consider specific business.

Director	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration and Nomination Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Choon Keng Kho	6	6	1	1	3	3
Mr Geoffrey McIntyre	4	4	-	-	2	2
Ms Kwee Jee Lee	6	6	6	6	3	3
Mr Patrick Chuan Thye Kho	6	6	-	-	-	-
Ms Jamie Gee Choo Khoo	6	6	6	6	-	-
Mr Kim Huat Koh	6	5	6	5	-	-

DIRECTORS' INTERESTS IN SHARES

Shares in LionHub Group Limited in which Directors have a relevant interest at the date of this report were:

Director	Number of Shares	Number of Listed Options
Mr Choon Keng Kho	530,546,154	15,151,132
Mr Patrick Chuan Thye Kho	527,415,032	8,888,888
Mr Geoffrey McIntyre	53,750	7,500
Ms Kwee Jee Lee	200,000	-

Lian Keng Enterprises Pte Ltd ("Lian Keng") is the holder of 527,415,032 fully paid Ordinary Shares and 8,888,888 December 2020 Listed Options exercisable at \$0.22 and both Mr Choon Keng Kho and Mr Patrick Chuan Thye Kho are Directors and Shareholders of Lian Keng.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT (Continued)

DIVIDENDS

No dividends were paid or declared during the year (2015: \$Nil). No recommendation for future payment of dividends has been made at the date of this report.

REVIEW OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's reported net loss amounted to \$3,461,000 (2015: Loss of \$3,483,000).

LionHub Group Limited is a real estate development company listed on the Australian Securities Exchange ("ASX"), focusing on technology park development in China. The Company's portfolio provides Australian investors with an early mover advantage in the mainland Chinese property sector.

LionHub enjoys the support of its major shareholder, the Lian Huat Group, with a 20 year history and extensive property interests across Singapore, Australia and China.

LionHub's focus is to provide an avenue for investors to exploit the potential offered by technology park developments in China, with the Company's first project being the Singapore Xuancheng Technology Park in Anhui Province.

Anhui Province is located in central China, with a large population of 60 million in an area of 139,600 km². It lies in the hinterland of Yangtze Delta, with great economic development potential. Within the province, the Xuancheng Economic Trade and Development Zone has been designated by the Chinese government as an official national industrial transfer zone. Despite the fact that as the 2015 financial year progressed and the general uncertainty in the global economy and equity markets continued together with negative sentiments, LionHub has made significant progress with the Xuancheng Technology Park and acquired the rights to another technology park during the 2015 year.

On 30 March 2015, the Company announced that the Master Plan for the Xuancheng Technology Park had been approved. The approval of the Master Plan was a significant step forward for LionHub's main project in China and the approval will now allow the project to move to the detailed planning phase followed by the construction phase.

In November 2014, LionHub entered into a legally binding agreement with its substantial shareholder Lian Keng to acquire a 100% working interest to construct and develop a second technology park on land known as Lu'an Singapore Creative Ecological and Industrial Park. The master plan for the park had been approved on 26 Jun 2014. Shareholders subsequently approved the acquisition together with the issue of consideration shares to Lian Keng in August 2015.

On 15 January 2016, the Company signed a Shareholder Agreement with KSL (XC) Pte Ltd ("KSL") setting out the broad terms of a 50/50 Joint Venture to be entered into by KSL and Vanda (XC) Pte Ltd ("Vanda"), a wholly-owned subsidiary of LionHub.

The purpose of the Joint Venture to be named KSL (XC) Metal Industries Pte Ltd is to acquire a part of the land at the Company's flagship project, the Xuancheng Singapore Techno Park, for development, with each party to contribute S\$500,000 (approximately A\$480,000) to begin with. KSL (XC) Metal Industries Pte Ltd intends to initially acquire 40mu (approximately 26,600 sqm) of land for development. The land tender process began in March 2017 and is expected to take a month to complete. KSL, a company incorporated in Singapore, is a leading specialist in the design, engineering, fabrication and installation of quality aluminum building facade systems. The industrial group currently has one manufacturing facility in Singapore and two in the greater Shanghai area in China.

LionHub's technology park in Lu'an includes components that comprise industrial, commercial and residential space, and during the year, LionHub has initiated discussions with the Lu'an government to begin development of part of the residential section of our project in Lu'an. The Company is currently in active dialogue with the government to seek the necessary approvals.

On 7 March 2017, LionHub entered into a Strategic Co-operation Agreement with Anhui Agricultural University ("AAU") which will draw on the expertise of both parties to facilitate the development of new "incubator" business opportunities that will complement both of LionHub's technology parks. It is anticipated that under the Strategic Co-operation Agreement, AAU and LionHub will work together to promote the development of early stage high-tech "incubator" companies in Anhui Province which will in turn attract innovators, entrepreneurs and investors to the region.

On 24 February 2017, the Company announced that it had secured a \$1 million (Singapore dollar) loan facility from its major shareholder, Lian Keng Enterprises Ltd ("LKE"), to assist with working capital whilst the Company pursues other long term funding alternatives for the development of its two technology parks. The loan facility was arranged on arm's length terms or better from the point of view of LionHub.

With much of the Master Planning and design work completed in the last couple of years, LionHub is now poised to move on to the next phase of acquiring and developing the properties in its parks. As such, LionHub has been actively pursuing fundraising alternatives to allow it to commence construction of its developments.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT (Continued)

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 22 February 2017, the Company signed a Shareholder Loan Agreement with Lian Keng Enterprise Pte Ltd which has a beneficial interest of 63.82% in the LionHub Group. The purpose of the loan is to provide LionHub Group with a working capital facility of \$1m for up to one year. This facility is intended to fund LionHub's overhead expenses until such time that it is able to raise further funds to commence construction of its developments. The terms of the shareholder loan are on an arm's length basis.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any specific environmental regulation in its operations under the law of a State, Territory or the Commonwealth of Australia.

OPTIONS

As at the date of this report there are 21,903,698 Listed Options exercisable on or before 4 December 2020 at 22 cents each. Each Option entitles the holder to one Ordinary Share.

During the year ended 31 December 2016, no fully paid Ordinary Shares were issued on the exercise of options. There have been no unissued shares or interests under option of any controlled entities within the Group during or since reporting date.

No further shares have been issued since year-end and no amounts are unpaid on any of the shares.

Option holders do not have any right, by virtue of the listed option, to participate in any share issue of the Company or any related body corporate. No options were issued to directors and executives as remuneration.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company holds an insurance policy to insure the Directors and Officers of the Company and its controlled entities against liabilities to other persons that may arise from their position. The insurance policy prohibits disclosure of the amount of the premium paid.

In accordance with the Constitution of the Company, to the extent permitted by the law the Company indemnifies every Director, executive officer or Secretary of the Company against any liability to another person provided that the liability does not arise in respect of conduct involving a lack of good faith on the part of the officer.

ROUNDING OF AMOUNTS

The Group is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that instrument, unless otherwise indicated.

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for directors and key management personnel of LionHub Group Limited and controlled entities, collectively "the Group".

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and key management personnel of the Group. The Board's policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

The Board's policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Relationship between Remuneration Policy and Company Performance

At present, the remuneration of key management personnel is not linked to the Group's performance and is not dependent on the satisfaction of a performance condition. This is due to the Company's operations not having reached a stage where revenue is generated.

The table below shows the gross revenue, profits and dividends for the last five years for the Company, as well as the share prices at the end of the respective financial year for this period. Where financial records are not available from the time that the Company was in Administration (the Company was relisted on the ASX on 11 June 2014), n/a is shown. As mentioned above, the Company was not trading during this time and so it is difficult to make any inferences regarding the Company's performance on shareholder wealth.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT (Continued)

Relationship between Remuneration Policy and Company Performance (contd)

	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$
Revenue	n/a	n/a	63,000	62,000	10,000
Net profit/(loss)	n/a	(649,000)	(1,337,000)	(3,483,000)	(3,461,000)
Share price at year-end	n/a	n/a	0.17	0.14	0.13
Dividends paid	n/a	n/a	-	-	-

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel ("KMP") of the Company. No remuneration was based on performance.

Key Management Personnel	Position held as at 31 December 2016 and any change during the year	Contract detail (duration & termination)
Mr Choon Keng Kho	Chair (Non-Executive)	No fixed term
Mr Geoffrey Ellison McIntyre	Deputy Chair (Non-Executive)	No fixed term
Ms Kwee Jee Lee	Director (Non-Executive)	No fixed term
Mr Patrick Chuan Thye Kho	Director (Non-Executive)	No fixed term
Ms Jamie Gee Choo Khoo	Director (Non-Executive)	No fixed term
Mr Kim Huat Koh	Director (Non-Executive)	No fixed term
Mr Charles Chow Cher Lim	Chief Executive Officer	No fixed term

Table of Benefits and Payments for the Year Ended 31 December 2016

		Short-term benefits Salary, fees & leave	Post-employment benefits Superannuation and Central Provident Fund	Total
		\$000	\$000	\$000
Group Key Management Personnel				
Mr Choon Keng Kho	2016	70	-	70
	2015	70	-	70
Mr Geoffrey Ellison McIntyre	2016	24	2	26
	2015	62	6	68
Ms Kwee Jee Lee	2016	45	4	49
	2015	45	4	49
Mr Patrick Chuan Thye Kho	2016	30	-	30
	2015	30	-	30
Ms Jamie Gee Choo Khoo	2016	35	3	38
	2015	35	3	38
Mr Kim Huat Koh	2016	35	-	35
	2015	35	-	35
Mr Charles Chow Cher Lim	2016	176	11	187
	2015	300	10	310
Total Key Management Personnel	2016	424	20	444
	2015	577	23	600

LIONHUB GROUP LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT (Continued)

Options granted as part of remuneration

No options have been granted to any KMP as part of their remuneration.

NON-AUDIT SERVICES

The Group has not engaged the services of its auditors, HLB Mann Judd Assurance (NSW) Pty Ltd, on any assignment other than for audit and review services.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 December 2016 has been received and a copy can be found on page 7 of the Financial Report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Signed by

A handwritten signature in black ink, appearing to read 'Choon Keng Kho', written over a horizontal line.

Choon Keng Kho
Non-Executive Chairman
30 March 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of LionHub Group Limited for the year ended 31 December 2016 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to LionHub Group Limited and the entities it controlled during the year.



D K Swindells
Director

Sydney, NSW
30 March 2017

LIONHUB GROUP LIMITED – FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group	
		2016 \$000	2015 \$000
Revenue			
Other revenue	4	10	62
Operating Expenses			
Depreciation		(273)	(315)
Employee benefits expense		(1,103)	(1,100)
Exchange gain/(loss)		85	(23)
Filing fees		(115)	(62)
Impairment loss on intangible assets	11	(1,100)	(1,000)
Legal fees		(39)	(19)
Marketing & promotion expenses		(108)	(300)
Professional fees		(103)	(146)
Travelling expenses		(75)	(144)
Other expenses		(630)	(424)
Loss before income tax	4	(3,451)	(3,471)
Income tax	5	(10)	(12)
Loss for the year		(3,461)	(3,483)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		(47)	(22)
Total comprehensive loss for the year		(3,508)	(3,505)
Loss per share			
From continuing operations:			
Basic loss per share (cents)	6	(0.42)	(0.42)
Diluted loss per share (cents)	6	(0.42)	(0.42)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group	
		2016 \$000	2015 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	590	2,888
Trade and other receivables	8	6	3
Other current assets	9	45	32
TOTAL CURRENT ASSETS		641	2,923
NON-CURRENT ASSETS			
Property, plant and equipment	10	861	1,122
Intangible assets	11	19,717	20,817
Development expenditure		1,601	1,538
Deferred tax assets		4	4
TOTAL NON-CURRENT ASSETS		22,183	23,481
TOTAL ASSETS		22,824	26,404
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	1,385	1,457
Borrowings	13	414	414
TOTAL CURRENT LIABILITIES		1,799	1,871
TOTAL LIABILITIES		1,799	1,871
NET ASSETS		21,025	24,533
EQUITY			
Issued capital	14	187,028	187,028
Foreign currency translation reserve		(7)	40
Accumulated losses		(165,996)	(162,535)
TOTAL EQUITY		21,025	24,533

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated Group

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total
	\$000	\$000	\$000	\$000
Balance at 1 January 2015	172,757	62	(159,052)	13,767
<i>Comprehensive income</i>				
Loss for the year	-	-	(3,483)	(3,483)
Other comprehensive income	-	(22)	-	(22)
Total comprehensive income/(expense)	-	(22)	(3,483)	(3,505)
<i>Transactions with owners</i>				
Shares issued during the year	14,377	-	-	14,377
Capital raising costs	(106)	-	-	(106)
Total transactions with owners	14,271	-	-	14,271
Balance at 31 December 2015	187,028	40	(162,535)	24,533
Balance at 1 January 2016	187,028	40	(162,535)	24,533
<i>Comprehensive income</i>				
Loss for the year	-	-	(3,461)	(3,461)
Other comprehensive income	-	(47)	-	(47)
Total comprehensive income/(expense)	-	(47)	(3,461)	(3,508)
<i>Transactions with owners</i>				
Shares issued during the year	-	-	-	-
Capital raising costs	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2016	187,028	(7)	(165,996)	21,025

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group	
		2016 \$000	2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,030)	(2,132)
Interest received		10	62
Income tax paid		(10)	(12)
Other receipts		-	480
Net cash used in operating activities	16	(2,030)	(1,602)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(161)
Acquisition of subsidiary, net of cash acquired		-	29
Development expenditure		(211)	(728)
Net cash used in investing activities		(211)	(860)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,377
Capital raising costs		-	(106)
Receipt from a director related company		-	339
Payment on behalf of a directors related company		(16)	(390)
Repayment of borrowings		-	(631)
Net cash provided by financing activities		(16)	589
Net (decrease) increase in cash held		(2,257)	(1,873)
Cash and cash equivalents at beginning of year	7	2,888	4,764
Effect of exchange rates on cash holdings in foreign currencies		(41)	(3)
Cash and cash equivalents at end of year	7	590	2,888

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of LionHub Group Limited and its controlled entities (collectively “the Group”).

(a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. LionHub Group Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, for the measurement of selected non-current assets at fair value.

(b) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by LionHub Group Limited at the end of the reporting period. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 20 to the financial statements.

In preparing the consolidated financial statements, all intra-group balances, transactions and unrealised gains on transaction between group companies have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity.

Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

All transaction costs incurred in relation to the business combination are expensed to profit or loss.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (benefit) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

(e) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST (including similar taxes in foreign jurisdictions), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (“ATO”) or foreign equivalent.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation 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 taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. 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, qualifying net investment hedge or are attributable to part of the net investment in a foreign operation.

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.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate the cost, net of residual values, over the estimated useful lives, or in the case of leasehold improvements and certain leased plant and equipment, the shorter of the lease term, as follows:

<i>Class of Fixed Asset</i>	<i>Useful Life</i>
Buildings	5-20 years
Vehicles	4 years
Plant and equipment	3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(g) Intangible assets and goodwill

Intangible assets include the development rights in the Xuancheng and Lu'an Projects that were acquired by the Group and have finite useful lives. They are measured at cost, being their fair value at acquisition date, less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and is recognised in profit or loss. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortised but is tested for impairment at least annually.

(h) Development Costs

Costs incurred in relation to the property developments are capitalised to the extent that they are recoverable out of future sales.

(i) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 consideration of external and internal sources of information. 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 value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

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.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest revenue is recognised using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected use of the financial asset.

(l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and short-term deposits with an original maturity of 3 months or less.

(m) 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. They are recognised initially at fair value and subsequently measure at amortised cost using the effective interest method.

(n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(p) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, which are expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Amounts expected to be settled after 12 months have been recognised as non-current liabilities at their present value.

(q) Comparatives

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

(r) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has not identified any critical accounting policies for which significant judgements, estimates and assumptions are made other than in relation to the recognition of fair value of rights to real estate developments – refer to Note 11.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Rounding of amounts

The Group has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that instrument, unless otherwise indicated.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is that they will result in no significant changes to the amounts recognised or matters disclosed in the Group's financial statements.

NOTE 2: GOING CONCERN

The Group incurred a loss for the year ended 31 December 2016 of \$3,461,000 and the statement of financial position as at 31 December 2016 shows a deficiency of current assets in relation to current liabilities of \$1,158,000.

The financial report has been prepared on a going concern basis. The Group's ability to implement its business strategy depends on its ability to raise funds for its property development program. In keeping with the Company's business model, the Directors expect to raise funds through arranging for the sale of land in its development areas, and/or through raising equity and/or debt funding. Without this funding there is a material uncertainty as to whether the Group will be able to continue as a going concern. If the Group is not able to continue as a going concern it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities, and may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTE 3: SEGMENT INFORMATION

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments. The Group operates solely as a real estate developer, in China.

NOTE 4: REVENUE AND EXPENSES

	Consolidated Group	
	2016	2015
	\$000	\$000
Revenue		
Interest received	10	62
Expenses		
Employee benefits expense includes:		
Directors' fees and superannuation	257	290
Staff salaries and other remuneration	861	810
Interest expense on financial liabilities	-	5

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 5: INCOME TAX

	Consolidated Group	
	2016	2015
a. The components of tax expense/(benefit) comprise:	\$000	\$000
Income tax in prior year	10	12
Deferred tax assets	-	-
	10	12

b. The prima facie tax on loss before income tax is reconciled to the income tax expense/(benefit) as follows:

Prima facie tax benefit on loss before income tax at 30% (2015: 30%)	(1,035)	(1,041)
Effect of tax rates in foreign jurisdiction	86	278
Other permanent differences	-	-
Tax losses not recognised	949	763
Income tax of prior year	10	12
	10	12

NOTE 6: LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss 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 all the dilutive potential ordinary shares into ordinary shares. As at 31 December 2016, there were no dilutive potential ordinary shares on issue.

The following reflects the income and share data used in the basic and diluted loss per share computations:

	Consolidated Group	
	2016	2015
	\$000	\$000
Loss for the year attributable to members	(3,461)	(3,483)
Weighted average number of ordinary shares for basic earnings per share	826,349,731	826,349,731
Effect of dilution	-	-
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	826,349,731	826,349,731

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2016	2015
	\$000	\$000
Cash at bank and on hand	590	2,888

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2016	2015
	\$000	\$000
Other receivables	6	3

NOTE 9: OTHER CURRENT ASSETS

	Consolidated Group	
	2016	2015
	\$000	\$000
Prepayments	31	18
Deposits paid	11	11
Inventory	3	3
	45	32

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group			Total
	Buildings	Plant and Equipment	Motor Vehicles	
Cost	\$000	\$000	\$000	\$000
Balance at 1 January 2015	481	44	47	572
Acquisition through business combination	671	5	57	733
Additions	145	16	-	161
Disposals	14	4	2	20
Balance at 31 December 2015	1,311	69	106	1,486
Balance at 1 January 2016	1,311	69	106	1,486
Additions	68	3	-	71
Effect of movements in exchange rates	(76)	(2)	(6)	(84)
Balance at 31 December 2016	1,303	70	100	1,473
Accumulated Depreciation				
Balance at 1 January 2015	-	6	2	8
Acquisition through business combination	30	2	16	48
Depreciation	284	19	18	321
Effect of movements in exchange rates	(9)	(2)	(2)	(13)
Balance at 31 December 2015	305	25	34	364
Balance at 1 January 2016	305	25	34	364
Depreciation	228	21	24	273
Effect of movements in exchange rates	(22)	(1)	(2)	(25)
Balance at 31 December 2016	511	45	56	612
Carrying amounts				
At 31 December 2015	1,006	44	72	1,122
At 31 December 2016	792	25	44	861

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 11: INTANGIBLE ASSETS

	Goodwill	Development Rights	Total
	\$000	\$000	\$000
Cost (including fair value at acquisition date)			
Balance at 1 January 2015	-	8,500	8,500
Acquisition through business combination	317	13,000	13,317
Balance at 31 December 2015	317	21,500	21,817
Balance at 1 January 2016	317	21,500	21,817
Balance at 31 December 2016	317	21,500	21,817
Accumulated amortisation and impairment loss			
Balance at 1 January 2015	-	-	-
Impairment loss	-	1,000	1,000
Balance at 31 December 2015	-	1,000	1,000
Balance at 1 January 2016	-	1,000	1,000
Impairment loss	-	1,100	1,100
Balance at 31 December 2016	-	2,100	2,100
Net book value			
At 31 December 2015	317	20,500	20,817
At 31 December 2016	317	19,400	19,717

Development rights

The development rights are the rights to participate in the development of proposed technology parks in the Anhui Province of the Peoples Republic of China (“PRC”). The rights are recognised at fair value based on valuation reports produced by Censere Holdings Limited. The valuations were prepared using the Multi-period Excess Earning Method (“MEEM”). This method measures the present value of the future earnings to be generated during the remaining lives of the assets. The key assumptions used in determining the present value of the future earnings include:

	Xuancheng	Lu’an
Revenue		
Based on expected selling prices of planned development, determined by reference to the particular types of development in different areas and market prices for similar development components.		
Costs		
Based on costs incurred by comparable developers in China.		
EBIT margin	19.5%	19.5%
Based on margins earned by comparable developers in China.		
Revenue growth	8.6%	7.4%
EBIT growth	8.6%	7.4%
Present value factor	24%	21%
Useful life	5 years *	5 years *

* From commencement of development, after required approvals are received. The valuation estimates revenue only over this period, as estimates beyond that period are not considered to be sufficiently reliable, due to the lapse of time. Directors expect the developments to continue beyond five years.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 11: INTANGIBLE ASSETS (Continued)

Development rights (Continued)

The terms of the agreements entered into by the Company and Lian Huat Group for the purchase of the Development Rights for both the Xuancheng and Lu'an projects include a provision that if the Company or any of their related bodies corporate is not the successful bidder for land parcels under the Investment Agreement, LionHub has the right to cancel the purchase of the development rights. The right to cancel the purchase will lapse if LionHub is a successful bidder on at least one land parcel or the unsuccessful bids are directly caused by LionHub. If this were to occur, it would result in LionHub cancelling shares issued as consideration for the acquisition/s.

In compliance with the Group's accounting policy, the Group commissioned an independent valuer, Censere Holdings Limited, to assess the value of the intangible assets associated with the Xuancheng and Lu'an development rights as at 31 December 2016. Based on impairment test reports as at 31 December 2016 by Censere Holdings Limited, the Group has recognised an impairment loss of \$1,100,000 for the financial year ended 31 December 2016 (2015: \$1,000,000) in relation to the Xuancheng development. No impairment was evident in relation to the Lu'an development.

Development rights are to be amortised over the life of the projects, based on the projected revenues, commencing when the development starts. Increases in the value of the Group's intangible assets above cost cannot be recognised in the statement of financial position. As the developments have not yet started, no amortisation has been recorded for the year.

Sensitivity analysis

The value of the development rights is sensitive to revenues, EBIT margins, working capital requirements and discount rates:

	Effect of change on value
	\$000
2016	
Increase revenue by 10%	3,594
Decrease revenue by 10%	(3,594)
Increase in EBIT margin of 3%	5,531
Decrease in EBIT margin of 3%	(5,531)
Increase in cost of working capital by 0.5%	(37)
Decrease in cost of working capital by 0.5%	37
Increase in the discount rate of 2%	(721)
Decrease in the discount rate of 2%	771

Development rights are to be amortised over the life of the projects, based on the projected revenues.

Goodwill

The goodwill recognised arose on the acquisition of a subsidiary in 2015.

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2016	2015
	\$000	\$000
Other payables	500	498
Accrued expenses	885	959
	<hr/>	<hr/>
	1,385	1,457
	<hr/>	<hr/>

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 13: BORROWINGS

	Consolidated Group	
	2016	2015
	\$000	\$000
Balance at beginning of year	414	1
Loan received – Lian Huat Management Services Pte Ltd	-	419
Loan received through business combination	-	625
Loan repaid – Lian Huat Management Services Pte Ltd	-	(631)
Balance at end of year	414	414

The borrowings from Lian Huat Management Services Pte Ltd (a company related to Lian Keng) are unsecured, with no fixed terms of repayment and are interest free.

The borrowings through business combination represent working capital funding from Lian Huat Management Services Pte Ltd for the Lu'an project. The loans are non-trade in nature, unsecured, with no fixed terms of repayment and bear interest ranging from 1.6719% to 2.5757% per annum.

NOTE 14: ISSUED CAPITAL

	Consolidated Group			
	2016	2015	2016	2015
	\$000	\$000	No of shares	No of shares
Balance at beginning of year	187,028	172,757	826,349,731	757,056,973
18 August 2015 – Acquisition of controlled entities	-	13,000	-	59,090,909
4 December 2015 – Rights issue shares	-	1,377	-	10,201,849
Balance at end of year	187,028	187,134	826,349,731	826,349,731
Less: Costs of offers	-	(106)	-	-
	187,028	187,028	826,349,731	826,349,731

On 18 August 2015, the Company issued 59,090,909 shares under the Share Sale Agreement between the Company and Lian Keng. Lian Keng agreed to sell and the Company agreed to purchase Lian Keng's one sole share interest in LionHub (Lu'an) Pte Ltd (formerly known as Lian Huat (Lu'an) Pte Ltd), which holds the right to develop the proposed Lu'an Singapore Creative Ecological and Industrial Park in Anhui Province, China for a consideration of \$13,000,000 satisfied by the issue of these 59,090,909 fully paid Ordinary Shares. This increased Lian Keng's total number of shares to 522,970,588, giving it a voting power of 64.08%.

On 8 December 2015, the Company issued 10,201,848 shares at \$0.135 per share for a total consideration of approximately \$1,377,249 through the Renounceable Rights Issue. Each share has two attaching Listed Options which are exercisable at \$0.22, and expire on 4 December 2020. The funds raised will be used for land acquisition for development or sale and for general working capital purposes. The entire amount raised was allocated to issue shares due to the significant difference between the share price at date of the share issue and the option exercise price.

Fully paid ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Fully paid ordinary shares participate in the winding up of the parent entity in proportion to the number of securities held.

Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The Company is not subject to any externally imposed capital requirements.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 15: OPTIONS

As at 31 December 2016 there were 21,903,698 Listed Options exercisable on or before 4 December 2020 at 22 cents each. On exercise each Listed Option entitles the holder to 1 share in the Company.

This includes 1,500,000 Listed Options issued as consideration for Brokering services, which have been voluntarily escrowed for a 24 month period from the date of issue, ie until 4 December 2017.

During the year ended 31 December 2016, no shares were issued on the exercise of options.

NOTE 16: CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash inflow from operating activities:

	Consolidated Group	
	2016	2015
	\$000	\$000
Loss for the year	(3,461)	(3,483)
Depreciation	273	321
Impairment loss on intangible assets	1,100	1,000
(Increase)/decrease in trade and other receivables	(16)	(22)
Increase / (decrease) in trade and other payables	74	582
Net cash used in operating activities	(2,030)	(1,602)

NOTE 17: AUDITOR'S REMUNERATION

	Consolidated Group	
	2016	2015
	\$000	\$000
Remuneration of the auditor of the parent entity for:		
Auditing and review of the financial statements	43	41

NOTE 18: FINANCIAL RISK MANAGEMENT

Objectives and policies and financial instruments

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 18: FINANCIAL RISK MANAGEMENT (Continued)

		Consolidated Group	
	Note	2016	2015
Financial assets		\$000	\$000
Cash and cash equivalents	7	590	2,888
Total financial assets		590	2,888
Financial liabilities			
Trade and other payables	12	1,385	1,457
Borrowings	13	414	414
Total financial liabilities		1,799	1,871

Financial risk management policies

The Board of Directors monitors the Group's financial risk management policies and exposures and approves financial transactions. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

Specific financial risk exposures and management

The main risks that the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

Credit risk

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Directors manage this risk by reviewing cash flows.

Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents. The Group is not aware of any significant risk relating to interest rates.

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movements in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the Australian dollar functional currency of the Group.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 18: FINANCIAL RISK MANAGEMENT (Continued)

		Profit	Equity
		\$000	\$000
Year to 31 December 2016	+/- 1% in interest rates	6	6
Year to 31 December 2015	+/- 1% in interest rates	28	28

NOTE 19: INTEREST OF KEY MANAGEMENT PERSONNEL (“KMP”)

Refer to the Remuneration Report contained in the Directors’ Report for details of the remuneration paid or payable to each member of the Group’s key management personnel for the year ended 31 December 2016.

The total remuneration paid to KMP of the Company during the year is as follows:

	Consolidated Group	
	2016	2015
	\$000	\$000
Short-term employee benefits	424	577
Post-employment benefits	20	23
	444	600

NOTE 20: INTEREST IN SUBSIDIARIES

		Percentage Owned*	
	Country of incorporation	2016 %	2015 %
Parent entity			
LionHub Group Limited			
Subsidiaries			
LionHub (Xuancheng) Pte Ltd ⁽ⁱ⁾	Singapore	100	100
(formerly known as Lian Huat (Xuancheng) Pte Ltd)			
LionHub (Lu’an) Pte Ltd ⁽ⁱⁱ⁾	Singapore	100	100
(formerly known as Lian Huat (Lu’an) Pte Ltd)			
Vanda Investment Holding Pte Ltd ⁽ⁱⁱⁱ⁾	Singapore	100	100
(formerly known as LionHub JV1 Pte Ltd)			
Subsidiaries of LionHub (Xuancheng) Pte Ltd ⁽ⁱ⁾			
LionHub (XC) Pte Ltd (formerly known as Lian Huat (XC) Pte Ltd)	Singapore	100	100
Jade Rabbit (Xuancheng) Management Services Pte Ltd	Singapore	100	100
Xuancheng LionHub TechnoPark Ltd	China	100	100
Subsidiaries of LionHub (Lu’an) Pte Ltd ⁽ⁱⁱ⁾			
LionHub (LA) Pte Ltd	Singapore	100	100
Lu’an LionHub Eco Park Ltd	China	100	100
Subsidiaries of Vanda Investment Holding Pte Ltd ⁽ⁱⁱⁱ⁾			
Vanda (XC) Pte Ltd	Singapore	100	100
KSL (XC) Metal Industries Pte Ltd	Singapore	50	50

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 20: INTEREST IN SUBSIDIARIES (Continued)

* Percentage of voting power is in proportion to ownership.

(i) Shares in LionHub (Xuancheng) Pte Ltd were acquired on 5 June 2014 for \$8,500,000. Consideration was given by way of issuing 42,500,000 ordinary shares valued at \$0.20 each to Lian Keng.

(ii) Shares in LionHub (Lu'an) Pte Ltd were acquired on 18 August 2015 for \$13,000,000. Consideration was given by way of issuing 59,090,909 ordinary shares valued at \$0.22 each to Lian Keng.

(iii) Vanda Investment Holding Pte Ltd, Vanda (XC) Pte Ltd and KSL (XC) Metal Industries Pte Ltd were incorporated during the year ended 31 December 2015.

NOTE 21: PARENT INFORMATION

The following information has been extracted from the books and records of the parent company and has been prepared in accordance with Australian Accounting Standards.

	2016	2015
	\$000	\$000
Statement of financial position		
Current assets	52	1,390
Total assets	25,015	27,809
Current liabilities	75	106
Total liabilities	75	106
Equity		
Issued capital	187,028	187,028
Accumulated losses	(160,058)	(159,325)
Total equity	26,970	27,703
Statement of profit and loss and other comprehensive income		
Total comprehensive loss for the year	(732)	(939)

NOTE 22: SUBSEQUENT EVENTS

On 22 February 2017, the Company signed a Shareholder Loan Agreement with Lian Keng Enterprises Pte Ltd which has a beneficial interest of 63.82% in the LionHub Group. The purpose of the loan is to provide LionHub Group with a working capital facility of \$1m for up to one year. This facility is unsecured and is intended to fund LionHub's overhead expenses until such time that it is able to raise further funds to commence construction of its developments. The terms of the shareholder loan are on an arm's length basis, with an interest rate of "1 month Singapore Interbank Offered Rate" ("SIBOR") plus 1.4% per annum. The loan is to be repaid within 12 months from first drawdown, or upon the Company securing funds from convertible notes or other sources.

LIONHUB GROUP LIMITED – FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

NOTE 23: RELATED PARTIES

The Company's main related parties are as follows:

(i) *Entities exercising control over the Group*

The ultimate parent entity that exercises control over the Group is Lian Keng, which is incorporated in Singapore.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details relating to key management personnel remuneration, refer to Note 19.

Transactions with other related parties:

Transactions between other related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated Group	
	2016	2015
	\$000	\$000
Rent paid	83	78
Loans from other related parties:		
Beginning of the year	414	1
Loans advanced	-	1,044
Loan repayments made	-	(631)
Interest charged	-	-
End of the year	414	414

NOTE 24: OPERATING LEASES

	Consolidated Group	
	2016	2015
	\$000	\$000
At 31 December the Group had minimum commitments in respect of non-cancellable operating leases relating to rental of property, payable as follows:		
Within one year	49	53
Between one and five years	23	32
	72	85

LIONHUB GROUP LIMITED – FINANCIAL REPORT

DIRECTORS' DECLARATION

In the opinion of the directors of LionHub Group Limited:

- 1 the financial statements and notes of the consolidated entity as set out on pages 8 to 27 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
 - (b) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

The directors have been given the declaration by the Chief Executive Officer and Finance Manager required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the board of directors of LionHub Group Limited.

A handwritten signature in black ink, appearing to be 'Choon Keng Kho', written over a horizontal line.

Choon Keng Kho
Non-Executive Chairman

Sydney
30 March 2017

**LIONHUB GROUP LIMITED
ACN 29 119 999 441**

INDEPENDENT AUDITOR'S REPORT

To the Members of LionHub Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of LionHub Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration for the Group.

In our opinion, the accompanying financial report of LionHub Group Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group on 30 March 2017, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$3,461,000 during the year ended 31 December 2016, and that the statement of financial position as at 31 December 2016 shows a deficiency of current assets in relation to current liabilities of \$1,158,000. As stated in Note 2, in keeping with the Company's business model the ability of the Group to continue as a going concern depends on its ability to raise funds through arranging for the sale of land in its property development areas, and/or raise equity and/or debt funding. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

HLB Mann Judd Assurance (NSW) Pty Ltd ABN 96 153 077 215

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**LIONHUB GROUP LIMITED
ACN 29 119 999 441**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Development Rights	
<p>The major assets of the Group shown on the statement of financial position at balance date are the development rights as described in Note 11.</p> <p>We consider this to be a Key Audit Matter because of the subjectivity involved in determining fair value, and because of the materiality of these assets to the Group financial report.</p>	<p>Directors commissioned updated external valuations of the development rights as at 31 December 2016. Our audit work included:</p> <ul style="list-style-type: none"> • Discussing the developments with management. • Reviewing the valuations, including the valuation methodology used, the assumptions used, and the calculations made. • Comparing the abovementioned factors to previous valuations prepared by the external valuers, and obtaining explanations for any changes. • Considering whether the valuation methodology was appropriate, and whether alternate valuation methodologies were more appropriate. • Assessing the qualifications and independence of the valuer. • Discussing the abovementioned matters with the valuer and with management. • Reviewing disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

**LIONHUB GROUP LIMITED
ACN 29 119 999 441**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Directors for the Financial Report (Continued)

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

LIONHUB GROUP LIMITED
ACN 29 119 999 441

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

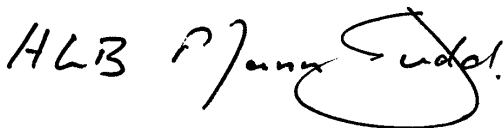
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 5 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of LionHub Group Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
30 March 2017



D K Swindells
Director