



**Shenhua International Limited**

ACN 134 436 730

## **Preliminary Financial Statements for the year ended 30 June 2017**

## **CORPORATE DIRECTORY**

### **DIRECTORS**

Ms. Xiaohong, Chen  
Mr. Philip Widjaya  
Ms. Lijuan, Wang  
Mr. James Yong, Wan  
Mr. Pierre Lau (Resigned 31 July 2017)

### **REGISTERED OFFICE**

Level 41, ANZ Tower, 55 Collins Street  
Melbourne, VIC 3000  
Phone: +61 3 9654 1988  
Fax: +61 3 9650 3958

### **AUDITOR**

Grant Thornton Audit Pty Ltd  
Level 3, 170 Frome Street  
Adelaide, SA 5000  
Phone: +61 8 8372 6666  
Fax: +61 8 8372 6677

### **BANKERS**

Commonwealth Bank of Australia  
Eastern Melbourne Branch  
121 Exhibition Street  
Melbourne VIC

### **COMPANY SECRETARY**

Ms. Sherry Tao, Xue

### **SHARE REGISTRY**

Link Market Services Ltd  
Level 12, 680 George Street  
Sydney, NSW 2000  
Phone: +61 2 8280 7111

### **SOLICITORS**

Chambers and Company  
Level 41, ANZ Tower, 55 Collins Street  
Melbourne, VIC 3000  
Phone: +61 3 9654 1988  
Fax: +61 3 9650 3958

## Appendix 4E

<b>Name of Entity</b>	<b>Shenhua International Limited</b>
<b>ABN</b>	17 134 436 730
<b>Financial Year Ended</b>	30 JUNE 2017
<b>Previous Corresponding Reporting Period</b>	30 JUNE 2016

### Results for Announcement to the Market

		Current financial year ended 30 June 2017	Previous financial year ended 30 June 2016	Percentage increase/(decrease) over previous corresponding period
		\$'000	\$'000	
Revenue from ordinary activities		35,661	56,644	(37%)
Profit/(loss) from ordinary activities after tax attributable to members		(1,167)	6,257	(119%)
Net profit/(loss) for the period attributable to members		(1,167)	6,257	(119%)
Earnings/(loss) per share (cents per share)		(0.93)	4.97	(119%)
Dividends (distributions)	Amount per security		Unfranked amount per security	
Final Dividend	N/A		N/A	
Interim Dividend	N/A		N/A	
Record date for determining entitlements to the dividends (if any)		N/A		

### Dividends

<b>Date the dividend is payable</b>	N/A
<b>Record date to determine entitlement to the dividend</b>	N/A
<b>Amount per security</b>	N/A
<b>Total dividend</b>	N/A
<b>Amount per security of foreign sourced dividend or distribution</b>	N/A
<b>Details of any dividend reinvestment plan in operation</b>	N/A

<b>The last date for receipt of an election notice for participation in any dividend reinvestment plan</b>	N/A
--	-----

#### NTA Backing

	<b>Current Period</b>	<b>Previous period</b> <b>corresponding</b>
<b>Net tangible asset backing per ordinary share</b>	\$0.76	\$0.82

#### Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

N/A
-----

#### Commentary on the Results for the Period

<b>The earnings per security and the nature of any dilution aspects:</b> Please refer to attached preliminary report
<b>Returns to shareholders including distributions and buy backs:</b> N/A
<b>The results of segments that are significant to an understanding of the business as a whole:</b> N/A
<b>Discussion of trends in performance:</b> Please refer to attached preliminary report
<b>Any other factor which has affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:</b> N/A

#### Audit Status

The 30 June 2017 financial report and accompanying notes are currently in the process of being audited.
---

Dated this 31<sup>th</sup> day of August 2017

*PH*

Philip Widjaya

Managing Director

## FINANCIAL STATEMENTS

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017	Note	Consolidated Group	
		2017 \$000	2016 \$000
Sales Revenue	2(a)	35,661	56,644
Cost of sales		(31,213)	(49,311)
Gross profit		4,448	7,333
Other revenue	2(b)	36	3,684
Interest revenue	2(c)	2,348	4,081
Distribution costs		(493)	(758)
Administration costs	3	(4,919)	(4,193)
Finance costs		(564)	(1,696)
<b>Profit/(loss) before income tax</b>		856	8,451
Income tax expense		(2,023)	(2,194)
<b>Profit/(loss) for the year attribute to members of the parent</b>		(1,167)	6,257
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign controlled entities		(5,822)	(6,343)
<b>Total comprehensive income/(loss) for the year attribute to members of the parent</b>		(6,989)	(86)
<b>Earnings/(loss) per share</b>			
Earnings per share attributable to Owners of the Parent			
Basic and diluted earnings per share (cents)	4	(0.93)	4.97

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

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2017	Note	Consolidated Group	
		2017	2016
		\$000	\$000
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	5	7,089	6,566
Trade and other receivables	6	21,780	42,351
Inventories	7	4,959	5,391
TOTAL CURRENT ASSETS		33,828	54,308
NON-CURRENT ASSETS			
Other financial assets	8	302	755
Loans and other receivables	6	33,728	36,853
Property, plant and equipment		10,916	12,480
Land use rights		51,975	55,607
TOTAL NON-CURRENT ASSETS		96,921	105,695
TOTAL ASSETS		130,749	160,003
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	9	13,616	14,879
Borrowings		15,506	16,482
Notes payable		-	21,884
Current tax liabilities		5,807	3,949
TOTAL CURRENT LIABILITIES		34,929	57,194
TOTAL LIABILITIES		34,929	57,194
NET ASSETS		95,820	102,809
<b>EQUITY</b>			
Issued capital	10	38,439	38,439
Reserves	11	6,393	12,215
Retained earnings		50,988	52,155
TOTAL EQUITY		95,820	102,809

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

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Consolidated Group Reserves					Total \$000
	Issued capital \$000	Statutory common reserve \$000	Common control reserve \$000	Foreign currency translation reserve \$000	Retained earnings \$000	
<b>Balance at 1 July 2015</b>	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)
<b>Total comprehensive income</b>	-	-	-	(6,343)	6,257	(86)
<b>Balance at 30 June 2016</b>	38,439	9,853	(19,440)	21,802	52,155	102,809
<b>Balance at 1 July 2016</b>	38,439	9,853	(19,440)	21,802	52,155	102,809
Total profit or loss for the year	-	-	-	-	(1,167)	(1,167)
Other comprehensive income for the year	-	-	-	(5,822)	-	(5,822)
<b>Total comprehensive income</b>	-	-	-	(5,822)	(1,167)	(6,989)
<b>Balance at 30 June 2017</b>	38,439	9,853	(19,440)	15,980	50,988	95,820

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

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2017	Note	Consolidated Group	
		2017 \$000	2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		34,381	60,299
Payments to suppliers and employees		(35,862)	(48,971)
Interest received		519	833
Finance costs		(564)	(1,656)
Income tax paid		-	(898)
Net cash provided by operating activities		(1,526)	9,607
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale/(purchase) of land use rights		5,085	(32,729)
Purchase of property, plant and equipment		-	(26)
Proceeds from disposal of land use right		-	2,022
Interest received from the related party loan		1,829	3,248
Receipt from/(advances to) related parties		(2,477)	44,543
Net cash used in investing activities		4,437	17,058
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	16,483
Repayment of borrowings		(139)	(16,584)
Dividends paid		-	(5,576)
Advance of security deposit of notes payables		19,546	15,300
Proceeds (repayment) of notes payables		(20,772)	(32,033)
Increase in related party receivable		372	-
Net cash (used in) / provided by financing activities		(993)	(22,410)
Net (decrease) / increase in cash held		1,918	4,255
Cash and cash equivalents at beginning of financial year	5	6,566	2,435
Effect of exchange rates on cash holdings in foreign currencies		(1,395)	(124)
Cash and cash equivalents at end of financial year	5	7,089	6,566

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



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

### **Note 1: Basis of preparation**

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The preliminary financial report is prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) including interpretations as issued by the International Accounting Standards Board.

The preliminary financial report includes Shenhua International Limited and its controlled entities ("Consolidated Group" or "Group"). Shenhua International Limited ("Parent" or "Company") is a listed public company, incorporated and domiciled in Australia.

The preliminary financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the preliminary financial report be read in conjunction with the annual report for the year ended 30 June 2016 and consider with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Information included in the Appendix 4E is presented in Australian dollars unless otherwise stated.

## Note 2: Revenue and Other Income

	Consolidated Group	
	2017	2016
	\$000	\$000
<b>(a) Revenue</b>		
Sales revenues	35,661	56,644
<b>(b) Other revenue</b>		
- Gain on disposal of land use rights	-	3,338
- Others	36	346
	36	3,684
<b>(c) Interest revenue</b>		
- Related party loan interest	1,829	3,248
- Interest from security deposit	519	833
	2,348	4,081

## Note 3: Expenses

	Consolidated Group	
	2017	2016
	\$000	\$000
Administration Costs:		
Employment benefits	280	793
Depreciation	188	215
Amortisation	818	960
Local taxes	662	892
Hospitality and travelling	70	71
Communication expenses	65	113
Impairment of trade receivables	1,566	-
Impairment of inventory	97	-
Other administration expenses	1,173	1,149
	4,919	4,193

## Note 4: Earnings/(loss) per Share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(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 earnings/(loss) per share is calculated on the same basis as basic earnings/(loss) per share, plus the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares into ordinary shares. There were no dilutive securities on issue.

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

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Profit/(loss) attributed to ordinary equity holders of the parent	(1,167)	6,257
Weighted average number of shares for basic and diluted earnings per share	125,857,000	125,857,000
Basic and diluted earnings/(loss) per share	(0.93) cents	4.97 cents

## Note 5: Cash and Cash Equivalents

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Cash on hand and bank balances	7,089	6,566
	<u>7,089</u>	<u>6,566</u>

## Note 6: Trade and Other Receivables

<b>Current Trade and Other Receivables</b>		<b>Consolidated Group</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
Trade receivables (Gross)		13,324	11,027
Provision for doubtful debts for trade receivable and advances to suppliers		(4,101)	(2,695)
Other receivables - advances to suppliers		1,037	1,027
Other receivables – from sales of land use rights		-	5,357
Advances to a related party	(a)	11,520	8,089
Security deposit for Notes Payable		-	19,546
<b>Net trade and other receivables</b>		<u>21,780</u>	<u>42,351</u>
<b>Non-current loan receivables from related party</b>			
(Shaoxing County Shenhua Decoration Co., Ltd)	(a)	33,728	36,853

## Note 6: Trade and Other Receivables (Cont.)

- (a) On 26<sup>th</sup> November 2015, a supplementary loan agreement was signed between Shaoxing Shenhua 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 \$128 million (RMB 666.69 million) (2016: \$134.8 million; (RMB 666.69 million)) and the loan facility interest carries a fixed interest rate of 5.22% p.a. (2016: 5.22% 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 \$53 million (RMB 278 million) (2016: \$73 million (RMB 361 million)) as of 30 June 2017.

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 \$74.2 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 \$ 33.7 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.

The related party receivable has increased to \$45.2 million from \$44.9 million as a result of the AUD\$:RMB exchange rate change from AUD\$1:RMB0.2022 as at 30 June 2016 to AUD\$1:RMB0.1920 at 30 June 2017 and accrual of interest receivable from SDL of \$1.80 million (RMB9.3 million) relating to the current period.

The underlying receivable in Renminbi (RMB) has increased from RMB222 million at 30 June 2016 to RMB235 million at 30 June 2017 which includes interest payable by SDL at 30 June 2017. Amounts outstanding at 30 June 2017 are below the revised facility limit noted above.

## Note 7: Inventories

	Consolidated Group	
	2017	2016
	\$000	\$000
Raw materials at cost	504	350
Work-in-progress at cost	510	353
Finished goods at cost	3,945	4,688
	<b>4,959</b>	<b>5,391</b>

## Note 8: Other Financial Assets

		Consolidated Group	
		2017	2016
		\$000	\$000
<b>Non-current - available-for-sale financial asset</b>			
Unquoted equity investment			
- a financial institution	(a)	302	319
- a guarantee company	(b)	-	436
<b>Total</b>		<u>302</u>	<u>755</u>

- (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. However, the directors do not anticipate that the carrying amount of the unquoted equity investment will be significantly in excess of its fair value.
- (b) The unquoted equity investment comprises 1.92% equity interest in a guarantee company in the PRC which is recorded at acquisition cost. There is no active market for the equity interest and no future economic benefit foreseeable, so it has been impaired in current year.

## Note 9: Trade and Other Payables

		Consolidated Group	
		2017	2016
		\$000	\$000
Trade and other payables		2,312	3,948
Amounts owed to related parties	(a)	11,304	10,931
		<u>13,616</u>	<u>14,879</u>

- (a) 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). As per an extension agreement between the Group and Joyful Huge Holdings Ltd the payable is not required to be settled before 31 December 2018. Remaining balances are amounts owed to related parties in relation payment on behalf of the Group's purchases.

## Note 10: 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	
	2017 \$000	2016 \$000
125,857,000 (30 June 2016: 125,857,000) fully paid ordinary shares	38,439	38,439
	2017 Number	2016 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's debt and capital includes ordinary share capital, financial liabilities, supported by financial assets. Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure 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 11: Reserves

		Consolidated Group	
		2017 \$000	2016 \$000
Statutory common reserve	(a)	9,853	9,853
Common control reserve	(b)	(19,440)	(19,440)
Foreign currency translation reserve	(c)	15,980	21,802
		<u>6,393</u>	<u>12,215</u>

### (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 12: 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.

#### 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	Non-current assets	Revenue	Non-current assets
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
China	6,373	96,921	11,921	105,695
Overseas	29,288	-	44,723	-
<b>Total</b>	<b>35,661</b>	<b>96,921</b>	<b>56,644</b>	<b>105,695</b>

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 and are all located in China.

#### Major customers

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

	Customer	Region	Revenue (\$'000)	% over total sales
2017	Customer A	China	3,782	11%
2016	Customer B	Overseas	6,597	12%
2016	Customer C	Overseas	5,635	10%
2016	Customer D	Overseas	5,190	10%

