

Name of Entity	Shenhua International Limited (SHU)
ABN	17 134 436 730
Reporting Period	Half Year ended 31st December 2015
Previous Corresponding Period	From 1st July 2015 to 31st December 2015

The following information is given to ASX under listing rule 4.2A.3.

- 1 The reporting period is the half year ended 31st December 2015.
- 2 Result for announcement to the market

	%	31-Dec-2015	31-Dec-2014
2.1 Revenue from ordinary activities.		\$000	\$000
	Down 13%	32,924	37,792
2.2 Profit from ordinary activities before tax attributable to members.			
	Up 75%	4,533	2,596
2.3 Net profit for the period attributable to members.			
	Up 70%	3,361	1,980

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that is not proposed to pay dividends.

No dividend has been declared in connection with the half year ended 31 December 2015.

2.5 The record date for determining entitlements to the dividends (if any)

N/A

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

As the global economy remains relatively stagnant, the revenue was down 13% compared with the same term of 2014. However, with the increased interest revenue from the related party loan, both the profit before tax and net profit were increased.

3 Net tangible assets per security with the comparative figure for the previous corresponding period.

	31-Dec-2015	31-Dec-2014
	Cents per share	Cents per share
Net tangible assets per security in cents	34.71	32.35

4 Details of entities over which control has been gained or lost during the period, including the following.

4.1 Name of the entity

4.2 The date of the gain of control.

4.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding.

There are no entities over which control has been gained or lost during the period.

5 Detail of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution.

N/A

6 Detail of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

N/A

7 Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

N/A

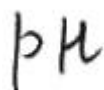
8 For foreign entities, which set of accounting standards is used in compiling the report (e.g. international Accounting Standards)

N/A

9 For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

N/A

Dated this 29th day of February 2016



Philip Widjaya
Managing Director



Shenhua International Limited
(ABN 17 134 463 730)

**Interim Financial Report
for the Half-Year Ended
31 December 2015**

Contents

Corporate directory	1
Directors' report	2
Auditor's independence declaration	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the financial statements	9
Directors' declaration	15
Independent auditor's review report	16

Corporate Directory

DIRECTORS

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

COMPANY SECRETARY

Ms. Sherry Tao Xue

REGISTERED OFFICE

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

SHARE REGISTRY

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

AUDITOR

Grant Thornton Audit Pty Ltd
Level 1, 67 Greenhill Road
Wayville, SA 5034
Phone: +61 8 8372 6666
Fax: +61 8 8372 6677

SOLICITORS

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

DIRECTORS' REPORT

Your Directors submit the financial report of Shenhua International Limited (the "Company") and its controlled entities (the "Group") for the six months ended 31 December 2015.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

Ms. Xiaohong Chen	Non-executive Chairman
Mr. Philip Widjaya	Managing Director
Ms. Lijuan, Wang	Executive Director
Mr. James Yong Wan	Non-executive Director
Mr. Pierre Lau	Non-executive Director

COMPANY SECRETARY

Ms. Sherry Tao Xue

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were the manufacture and distribution of medium to high quality textiles products.

There have been no significant changes in the nature of the principal activities undertaken during the period.

REVIEW OF OPERATIONS

In the six months ending 31 December 2015, the Group has increased profit after income tax to \$3,359,506 as compared to \$1,978,865 for the period ended 31 December 2014. Revenue however decreased from \$ 37,792,476 for the six months ended 31 December 2014 to \$32,923,784 for the six months ended 31 December 2015. As the global economy remains relatively stagnant, the revenue was down 12% compared with the same period of 2014. However, with the stable interest revenue generated from the related party loan, both the profit before tax and net profit were increased for the current period.

On the other hand, total comprehensive income for the half year was a loss of \$1,715,890 as compared to gain of \$18,234,256 for the period ended 31 December 2014. This was mainly caused by the foreign exchange gain on conversion resulting from the moderate appreciation of Australian Dollar, being the Group's reporting currency.

Foreign exchange movement schedule is RMB/AUD

	RMB / AUD	31/12/2015	30/06/2015	31/12/2014
Closing rate		0.2111	0.2125	0.2005
Average rate		0.2186	0.1962	0.1832
% Change in closing rate from prior period		(0.7%)	6.0%	16.2%
% change in average from prior period		11.4%	7.1%	3.3%

ROUNDING OF AMOUNTS

The consolidated group is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 of the report.

This report is signed in accordance with a resolution of the Board of Directors.



Philip Widjaya
Executive Director

Dated 29 February 2016

Level 1,
67 Greenhill Rd
Wayville SA 5034

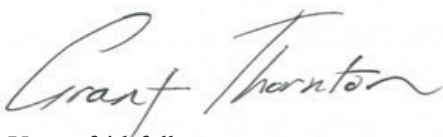
Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Shenhua International Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Yours faithfully
GRANT THORNTON AUDIT PTY LTD



Iain Kemp
Partner – Audit & Assurance

Adelaide, 29 February 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Consolidated Entity	
	6 months to 31-Dec-15 \$000	6 months to 31-Dec-14 \$000
Revenues	32,924	37,792
Cost of sales	(28,477)	(31,067)
Gross profit	4,447	6,725
Other income	4,730	3,287
Distribution expenses	(511)	(348)
Administrative expenses	(2,822)	(2,955)
Movement in provision for doubtful debts	-	36
Provision for Obsolete Stock	(430)	(1,492)
Finance costs	(863)	(2,650)
Other expenses	(18)	(7)
Profit before tax	4,533	2,596
Income tax expense	(1,172)	(616)
Profit for the period attributable to members of the parent	3,361	1,980
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations (Tax: nil)	(1,645)	16,255
Other comprehensive income for the period, net of tax	(1,645)	16,255
Total comprehensive income for the period attributable to members of the parent	1,716	18,235
Earnings per share		
From continuing operations:		
Basic and diluted earnings per share (cents)	2.7	1.6

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

		Consolidated Entity	
	Notes	31-Dec-15	30-Jun-15
		\$000	\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		45,421	39,273
Trade and other receivables	5a	24,025	20,533
Inventories		6,937	8,059
Land use rights		-	957
TOTAL CURRENT ASSETS		76,383	68,822
NON-CURRENT ASSETS			
Financial assets	5b	63,625	88,983
Property, plant and equipment		15,466	16,295
Land use rights		60,922	61,226
TOTAL NON-CURRENT ASSETS		140,013	166,504
TOTAL ASSETS		216,396	235,326
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	36,890	55,090
Borrowings		17,205	17,532
Notes payable		53,777	56,998
Current tax liabilities		3,913	2,811
TOTAL CURRENT LIABILITIES		111,785	132,431
TOTAL LIABILITIES		111,785	132,431
NET ASSETS		104,611	102,895
EQUITY			
Issued capital		38,439	38,439
Reserves		16,913	18,558
Retained earnings		49,259	45,898
TOTAL EQUITY		104,611	102,895

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Reserves					
	Issued capital	Statutory common reserve	Common control reserve	Foreign currency translation reserve	Retained earnings	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2014	38,439	3,454	(19,440)	4,250	52,750	79,453
Profit for the period	-	-	-	-	1,980	1,980
Other comprehensive income	-	-	-	16,255	-	16,255
Total comprehensive income for the period	-	-	-	16,255	1,980	18,235
Subtotal	38,439	3,454	(19,440)	20,505	54,730	97,688
Transactions with owners:						
Dividends paid or provided for	-	-	-	-	(1,888)	(1,888)
Balance at 31 December 2014	38,439	3,454	(19,440)	20,505	52,842	95,800
Balance at 1 July 2015	38,439	9,853	(19,440)	28,145	45,898	102,895
Profit for the period	-	-	-	-	3,361	3,361
Other comprehensive income	-	-	-	(1,645)	-	(1,645)
Total comprehensive income for the period	-	-	-	(1,645)	3,361	1,716
Subtotal	38,439	9,853	(19,440)	26,500	49,259	104,611
Transactions with owners:						
Dividends paid or provided for	-	-	-	-	-	-
Balance at 31 December 2015	38,439	9,853	(19,440)	26,500	49,259	104,611

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Consolidated Entity	
	6 months to 31 December 2015 \$000	6 months to 31 December 2014 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	30,556	41,474
Payments to suppliers and employees	(26,349)	(37,135)
Interest received	599	611
Finance costs	(1,115)	(2,541)
Income tax paid	(35)	(2,315)
Net cash provided by operating activities	3,656	94
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets*	(21,664)	(3)
Related party loan interest	4,076	-
Related party loan principal	23,178	-
Disposal of investments	-	239
Net cash used in investing activities	5,590	236
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	(106)	-
Dividends paid	-	(6,006)
Increase (Decrease) in notes payable	(2,501)	(13,318)
Interest received from related party loan	-	2,562
(Increase) Decrease in related party receivable	177	3,722
Net cash used in financing activities	(2,430)	(13,040)
Net increase/(decrease) in cash held	6,816	(12,710)
Effect of exchange rates on cash holdings in foreign currencies	(668)	11,316
Cash and cash equivalents at beginning of period	39,273	48,464
Cash and cash equivalents at end of period	45,421	47,070

* Total cash outflow for the purchase of non-current assets includes payments of \$21,637,750 for the acquisition of land use rights which were included in Trade and other payables as at 30 June 2015.

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION

Nature of Operation

Shenhua International Limited is a profit-oriented entity limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The Group is specialising in mid-to-high end fabrics and finished goods, including curtains, cushions, quilts and other bedding items. Shenhua's fabrics and finished products are suitable for internal furnishing and decorative purposes in domestic and commercial settings. At present, most of the customers are wholesalers. The business has traditionally been very export focused, with the vast majority of sales derived from exports to over 50 countries.

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Shenhua International Limited and its controlled entities (the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the half-year.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 29 February 2016.

Significant accounting policies

The accounting policies applied in this half-year financial report are consistent with those disclosed in our 2015 Annual report.

There have been no new or revised accounting standards or interpretations which are effective from the periods beginning on or after 1 July 2015 and impact the half-year financial results.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2015.

NOTE 1: BASIS OF PREPARATION (CONT.)

New and amended accounting standards issued but not yet effective

During the period, a number of Standards and Interpretations were issued but not yet effective. The Group is yet to assess the full impact of these standards. However, the standards are unlikely to have a significant effect on the Groups financial results.

Note 2 SIGNIFICANT EVENTS AND TRANSACTIONS

Reduction in related party loan balance

As at the period end, the related party loan advanced to Shenhua Decoration Ltd has reduced significantly from \$94,598,630 (RMB 442,463,192) as 30 June 2015 to \$70,225,528 (RMB 332,664,749), which complies with the minimum required principal repayment amount for the current period.

Land use right payment

Included in trade and other payables as at 30 June 2015, there was a payable of \$34,598,867 (RMB161,828,191) for the purchase of land use rights.

During the period \$21,637,750 (RMB 102,500,000) was paid to reduce this balance to 12,524,181 as at 31 December 2015.

NOTE 3: OPERATING SEGMENTS

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

NOTE 4: DIVIDENDS

	Consolidated Entity	
	31 Dec 2015	31 Dec 2014
	\$000	\$000
Dividends provided for during the half year	-	1,888

During the period, no dividends is declared or paid to its equity shareholders (31 December 2014: \$1,887,855).

NOTE 5: TRADE AND OTHER RECEIVABLES

a. Current trade and other receivables

	Consolidated Entity	
	31-Dec-15	30-Jun-15
	\$000	\$000
A Trade Receivables	14,518	12,306
B Other Receivables	9,507	8,227
	<u>24,025</u>	<u>20,533</u>
A Trade Receivable		
Trade Receivables	17,331	15,155
Provision for Doubtful Debts	(2,813)	(2,849)
	<u>14,518</u>	<u>12,306</u>
B Other Receivables		
Advances to Related Parties	7,389	6,414
Advances to Suppliers	2,118	1,813
	<u>9,507</u>	<u>8,227</u>

No additional provision for doubtful debts was recognised during the current period, the movement is due to foreign exchange effect on foreign current translation.

b. Financial assets

	Consolidated Entity	
	31-Dec-15	30-Jun-15
	\$000	\$000
Advances to Related Parties	62,837	88,185
Unquoted equity investment	788	798
	<u>63,625</u>	<u>88,983</u>

The balance advanced to related parties represents a secured interest bearing loan, with annual repayments, and a maturity date of 30 June 2022. The loan was advanced to Shaoxing Shenhua Decoration Co. Ltd (SDL), a director related entity. The purpose of the loan is to fund investment and working capital in metal fabrication operations owned by its subsidiary, Zhenjiang Binhai Metal Products (BHMP).

A new supplementary agreement was signed on 26 November 2015, in which the interest rate was changed to 5.22% p.a. from 6%. The loan carries a fixed interest rate of 5.22% p.a. (consistent with the market rate in PRC) payable on an annual basis and is secured against land use rights and non-current assets of SDL and BHMP with the carrying value of approximately RMB 332 million (\$70 million) as at 31 December 2015.

The loan receivable is dominated in RMB and has reduced from \$94,598,630 (RMB 442,463,192) as 30 June 2015 to \$70,225,528 (RMB 332,664,749) as 31 December 2015.

Other Income in the Statement of Profit & Loss includes interest received on the Advance to Related Parties of \$4,076,258 (2014: \$2,562,000), there is no unpaid interest receivable as at 31 December 2015.

NOTE 6: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	31-Dec-15	30-Jun-15
	\$000	\$000
Trade and Other Payables	19,950	38,327
Amounts owed to related parties	16,940	16,763
	<u>36,890</u>	<u>55,090</u>

NOTE 7: RELATED PARTY BALANCE

	Consolidated Entity	
	31-Dec-15	30-Jun-15
	\$000	\$000
Related party loan receivable from Shaoxing County Shenhua Decoration Co Ltd ⁽¹⁾	70,226	94,599
Related party dividend payable to Joyful Huge Holdings ⁽²⁾	15,649	15,649
Related party payable to Xia Yajun ⁽³⁾	235	235
Related party payable to Mr. Philip Widjaya ⁽⁴⁾	763	763
Related party payable to Wang Lifang ⁽⁵⁾	293	117

(1) Shaoxing County Shenhua Decoration Co.,Ltd is a related party of Philip Widjaya, Managing Director of the Group, whose ownership is 58.8%.

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

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

(4) Philip Widjaya is Managing Director of the Group.

(5) Wang Lifang is Executive Director of the Group.

NOTE 8 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

No material events have occurred subsequent to reporting date and up to the date of this report.

NOTE 10: EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Shenhua International Limited) as the numerator, i.e. no adjustments to profits were necessary during the six (6) month period to 31 December 2015 and 2014.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to 31-Dec-2015 \$'000s	6 months to 31-Dec-2014 \$'000s
Weighted average number of shares used in basic earnings per share	125,857,000	125,857,000
Shares deemed to be issued for no consideration in respect of share-based payments	-	-
Weighted average number of shares used in diluted earnings per share	125,857,000	125,857,000

NOTE 11: Going Concern

As at 31 December 2015, the Group's total current liabilities exceeded its total current assets by \$35.4 million. The consolidated entity's ability to continue as a going concern is contingent:

- Continued profitable operation and recovery of trade receivables;
- Renewal of short-term bank loans and notes payable in the normal course of business; and
- Receipt of regular interest and principal repayments from the related party loan and the ultimate recovery of the related party loan

The directors consider the Group to be a going concern and will be able to meet its debts and obligation as they fall due.

If the bank loans and notes payable are not renewable for the next 12 month, and the related party loan cannot be collected on a timely basis. The going concern basis of accounting may not be appropriate, as a result that the Group may have to realise its non-current assets and extinguish its liabilities. Other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report

DIRECTOR'S DECLARATION

The Directors of the company declare that:

The financial statements and notes, as set out on pages 5 to 14

- a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001; and
- b. give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

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

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



Philip Widjaya
Executive Director

Dated 29 February 2016

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Shenhua International Limited

We have reviewed the accompanying half-year financial report of Shenhua International Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Shenhua International Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Shenhua International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

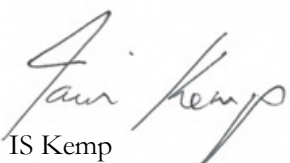
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 11 to the financial statements which indicate the company's current liabilities exceeded its current assets by \$35,402,118. This condition, along with other matters as set forth in Note 11, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



IS Kemp
Partner - Audit & Assurance

Adelaide, 29 February 2016