

YANGHAO INTERNATIONAL LIMITED

APPENDIX 4E

PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Yanghao International Limited
ABN 52 133 453 531

Registered Address
Suite 1903, 109 Pitt Street,
Sydney, NSW, 2000
Australia.

Yanghao International Limited (ABN 52 133 453 531) and Controlled Entities

Financial Report for the Year Ended 30 June 2016

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Results for announcement to market

Key Information	2016 \$000	2015 \$000	% Change
Revenue from ordinary activities	31	813	(96%)
Profit after tax from ordinary activities attributable to members	(1,489)	6,703	122%
Profit attributable to members	(1,489)	6,703	122%

Dividends paid and proposed

No dividends have been paid or proposed during the financial year ended 30 June 2016 or subsequent to period-end.

Statement of profit or loss and other comprehensive income with notes to the statement

Refer to page 2 of the 30 June 2016 financial report and accompanying notes for Yanghao International Limited.

Statement of financial position with notes to the statement

Refer to page 3 of the 30 June 2016 financial report and accompanying notes for Yanghao International Limited.

Statement of changes in equity

Refer to page 4 of the 30 June 2016 financial report and accompanying notes for Yanghao International Limited.

Statement of cash flows with notes to the statement

Refer to page 5 of the 30 June 2016 financial report and accompanying notes for Yanghao International Limited.

Net tangible assets per share

	2016 \$/share	2015 \$/share
Net tangible assets per share	(0.06)	(0.11)

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Control gained or lost over entities in during the year

No control gained or lost over entities during the year.

Investment in associates and joint ventures

The Company has no investment in controlled entities or associate.

Commentary on the results for the period

Review of Operations

For the year ended 30 June 2016, Yanghao International Limited (“the Company”) and its controlled entities (together referred as “the Group”) made net loss of \$1,488,974 (as compare to the net profit of \$6,703,337 as at June 30 2015 after accounting for gain on disposals of Group’s assets pursuant to the debt and corporate restructuring exercise of the Group).

During this financial year, revenue was derived from management fees received from Zhejiang Yanghao Import and Export Co., Limited, a director related entity and from rentals in respect of a property owned by the Group. Following the disposal of this asset to YIE, the Group ceased to receive any rental revenue during the year.

The Group is close to complete its restructuring with the support from Shaoxing government in China as announced in 2010. The restructuring has progressed into the final stage whereby the final group of creditors are expected to be repaid from the proceeds from the disposals of the Group assets, with the assistance of Zhongsha Construction Co., Ltd.

Following the completion of the restructuring, the Group expects to generate income from its following business plans and strategy;

- Export of garments and protective and work safety clothing to the Australian market
- The wholesale of imported wines from Australia
- Export photovoltaic/solar panels to Australia

The Group is also proactively looking for new business opportunities internationally and continues to focus on driving cost efficiencies and revenue generation activities.

Status of audit

The 30 June 2016 financial report and accompanying notes for Yanghao International Limited are currently in the process of being audited.

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CORPORATION INFORMATION

This annual report covers both Yanghao International Limited ('Yanghao', 'YHL' or 'the Company') (ABN 52 133 453 531) as an individual entity ('the Company') and its subsidiaries (together referred as 'the Group').

Directors

Ms Yan Yang

Dip. of Civil Engineering from the University of Zhejiang

Ms Jie Yang

Dip. of Bus, B. Buss (Management)(Massey)

Mr Jiang Song

Dip. Of Business Administration from Zhejiang Changjian Technical College

Ms Jing Guo (Cathy)

Mr Wei Huang

B.Ec, M. Com

Ms Ying Liu Huang

B.Ec, M. Com

Managing Director

Chief Executive Director Officer and Chairman

Appointed on 21 May 2014

Executive Director

Appointed on 13 January 2011

Resigned on 7 September 2015

Executive Director

Appointed on 7 September 2015

Non-executive Director

Appointed on 19 April 2011

Resigned on 26th November 2015

Non-executive Director

Appointed on 28 November 2008

Non-executive Director

Appointed on 26th November 2015

Company Secretary

Ms Jing Guo (Cathy) – Resigned from 26th November 2015

Ms Ying Liu Huang - Appointed from 26th November 2015

Registered Office

Yanghao International Limited
Suite 1903, 109 Pitt Street
Sydney NSW 2000

Principal Place of Business

Pingshui Industrial Park
Shaoxing City, Zhejiang Province
People's Republic of China

Legal Advisors

Minter Ellison Lawyers
Level 10, 25 Grenfell Street
Adelaide SA 5000

Bankers

Westpac Banking Corporation
Haymarket, 671-675 George Street
Sydney NSW 2000

Share Register

Computershare Investor Securities Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000

Auditors

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 67 Greenhill Road
Wayville SA 5034

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

		Consolidated Group	
		2016	2015
	Note	\$	\$
Revenue	2	31,348	813,461
Other income		15,378	583
Gain on sale of property, plant & equipment	3	-	6,357,223
Administrative expenses		(624,596)	(1,249,343)
Loss incurred on repayment of guaranteed loan	4	-	(977,000)
Provision for impairment of receivables, net		(171,367)	(170,334)
Impairment of property, plant and equipment		-	(8,434)
Debt forgiveness	5	-	2,343,582
Finance costs		(766,808)	(406,401)
Profit/(loss) before income tax	6	(1,516,045)	6,703,337
Income tax expense	7	-	-
Profit/(loss) for the year attributable to owners of the parent		(1,516,045)	6,703,337
Other comprehensive (loss)/income for the year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		367,983	(2,175,823)
Total comprehensive income attributable to owners of the parent		(1,148,062)	4,527,514
Earnings per share			
Basic (cents)	8	(2.20)	9.71
Diluted (cents)	8	(2.20)	9.71

This statement should be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated Group	
		2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	77,856	106,350
Trade and other receivables	11	4,019,431	7,262,951
Inventories	12	-	-
Other current assets		47,251	54,422
TOTAL CURRENT ASSETS		4,144,538	7,423,723
NON-CURRENT ASSETS			
Deferred tax assets	13	7,772,276	8,486,356
TOTAL NON-CURRENT ASSETS		7,772,276	8,486,356
TOTAL ASSETS		11,916,814	15,910,079
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	2,814,487	5,327,987
Current tax payable		10,335	26,178
Borrowings	15	9,956,404	9,558,184
TOTAL CURRENT LIABILITIES		12,781,226	14,912,349
NON-CURRENT LIABILITIES			
Deferred tax liabilities	13	7,772,276	8,486,356
TOTAL NON-CURRENT LIABILITIES		7,772,276	8,486,356
TOTAL LIABILITIES		20,553,502	23,398,705
NET LIABILITIES		(8,636,688)	(7,488,626)
EQUITY			
Issued capital	16	10,589,121	10,589,121
Accumulated losses		(20,542,263)	(19,026,218)
Other reserves	17	1,316,454	948,471
TOTAL EQUITY DEFICIT		(8,636,688)	(7,488,626)

This statement should be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total \$
Balance as at 1 July 2014	10,589,121	(25,729,555)	3,124,294	(12,016,140)
Total profit or loss for the year	-	6,703,337	-	6,703,337
Other comprehensive income	-	-	(2,175,823)	(2,175,823)
Total comprehensive income	-	6,703,337	(2,175,823)	4,527,514
Balance as at 30 June 2015	10,589,121	(19,026,218)	948,471	(7,488,626)
 Balance as at 1 July 2015	 10,589,121	 (19,026,218)	 948,471	 (7,488,626)
Total profit or loss for the year	-	(1,516,045)	-	(1,516,045)
Other comprehensive loss	-	-	367,983	367,983
Total comprehensive income	-	(1,516,045)	367,983	(1,148,062)
Balance as at 30 June 2016	10,589,121	(20,542,263)	1,316,454	(8,636,688)

This statement should be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

STATEMENT OF CASH FLOWS

FOR FINANCIAL YEAR ENDED 30 JUNE 2016

		Consolidated Group	
	Notes	2016	2015
		\$	\$
Cash Flows from operating activities			
Receipts from customers		31,348	749,550
Payments to suppliers and employees		(452,444)	(3,878,261)
Interest received		-	583
Income tax paid		-	(244,470)
Net cash used in operating activities	24	(421,096)	(3,372,598)
Cash Flows from investing activities			
Net cash from investing activities		-	-
Cash Flows from financing activities			
Loan from related parties		413,100	3,431,006
Net cash from financing activities		413,100	3,431,006
Net decrease in cash and cash equivalents		(7,996)	58,408
Cash and cash equivalents at beginning of financial year		106,350	68,806
Effect of exchange rate changes		(20,498)	(20,864)
Cash and cash equivalents at end of financial year	24	77,856	106,350

This statement should be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

These consolidated financial statements and notes represent those of Yanghao International Limited ("the Company") and controlled entities (the "Consolidated Group" or "Group").

NOTE 1. Summary of significant accounting policies

The financial report includes Yanghao International Limited and its controlled entities are a consolidated entity ("Consolidated Group" or "Group"). Yanghao International Limited ("Parent" or "Company") is a company limited by shares, incorporated and domiciled in Australia.

The Appendix 4E has been prepared in accordance with the ASX Listing Rules. Information included in the Appendix 4E has been extracted from the Group's full financial report, and is presented in Australian dollars.

A full description of the accounting policies adopted by the Group can be found in the Group's fully financial report. These accounting policies have been consistently applied by each entity in the Group.

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

NOTE 2. REVENUE

	Consolidated Group	
	2016	2015
	\$	\$
Revenue – management fees ⁽¹⁾	31,348	64,493
– other recoveries – rental income ⁽²⁾	-	748,968
	<u>31,348</u>	<u>813,461</u>

⁽¹⁾ Revenue has arisen from providing management services to Zhejiang Yanghao Import and Export Co., Limited (hereby referred as "YIE" a related party of Executive Director Mr Song Jiang) during the financial year. The management services were provided pursuant to a management agreement between the companies.

⁽²⁾ In prior year China Merchant Bank (CMB) paid rental on the use of the Group's properties dating back to 10th June 2011. No amounts had been charged to CMB during the restructure period.

FINANCIAL REPORT

NOTE 3. GAIN ON SALES OF PROPERTY, PLANT AND EQUIPMENT

On 10 July 2014, according to the Group's restructuring program, certain land and buildings of the Group were put on public notice by the court for sale through an auction process. The auction was handled by Shaoxing Tong Ji Auction Co., Ltd a reputable auction house in China.

On 10 September 2014, Zhejiang Yanghao Import and Export Co., Ltd ("YIE") and Zhejiang Zhongsha Construction Group Limited ("Zhongsha Construction"), both of which are director related entities, were announced as the successful bidders for the said land and buildings.

These transactions have been completed in the prior year with gain on disposal of \$ 6,357,223 recognised.

NOTE 4. LOSS INCURRED ON REPAYMENT OF GUARANTEED LOAN

In the prior year, Shaoxing People's Court Qixian People's Court made an arbitral decision that Shaoxing Don Dragon Knitting Textile & Garments Ornaments Co., Ltd (the subsidiary of Yanghao International Limited) is liable for repayment of a guaranteed loan of \$977,000 (RMB5 million). Zhongsha Construction that has led and supported the Group with its restructuring exercise, assumed the liability pursuant to the package of assistance provided by the Shaoxing government in People's Republic of China and had sought repayment. The total claim has been recognised as an expense has been recognised in the period in pursuant to the court's final judgement. The penalty interest has been accrued.

The directors are not aware of any additional guarantees that are in place which may result in future settlement.

NOTE 5. DEBT FORGIVENESS

	Consolidated Group	
	2016	2015
	\$	\$
Third parties	-	2,343,582
	-	2,343,582

In the prior period, under the order of the Shaoxing government (PRC), the Group made a public announcement to all creditors to register their amounts owed with the Group before a specified date. The creditors which did not go through the registration process within the given time frame would be deemed forgiven. The treatment is in line with the legal process in PRC. Those whom have registered will have their debts reduced by 47.5%.

The debt forgiveness amount of \$2,343,582 within the consolidated statement of profit or loss and other comprehensive income presents creditors forgiven during the prior year. No debt is forgiven during the current financial year.

FINANCIAL REPORT

NOTE 6. PROFIT/(LOSS) BEFORE TAXATION

Profit/ (loss) before taxation includes the following expenses:

	Consolidated Group	
	2016	2015
	\$	\$
Depreciation	-	48,606
Employee benefit expenses	94,780	85,800
Other property taxes and penalties triggered on sale	-	627,866
Interest expense	766,808	406,401
Audit and review of financial report	120,000	102,000
Taxation compliance	3,200	3,200

NOTE 7. TAXATION

	Consolidated Group	
	2016	2015
	\$	\$
Current year taxation expense	-	-

The prima facie tax on “profit before income tax” is reconciled to the income tax as follows:

	Consolidated Group	
	2016	2015
	\$	\$
Profit /(loss) before tax	(1,516,045)	6,703,337
Prima facie tax at 30%	(454,814)	2,011,001
Effect of different tax rate of different tax jurisdiction	56,715	(349,743)
Expenses not deductible	746	156,967
Tax losses not recognised /(recouped)	397,353	(1,818,225)
	-	-

Corporate tax rates in Australia, China, Hong Kong and BVI are 30%, 25%, 17.5% and NIL respectively for the year ended 30 June 2016 and prior year.

FINANCIAL REPORT

NOTE 8. EARNINGS PER SHARE

	Consolidated Group	
	2016	2015
	\$	\$
Net profit/(loss) attributable to Owners of the Parent	(1,516,045)	6,703,337
Weighted average number of ordinary shares outstanding during year used in calculating basic earnings per share	69,031,119	69,031,119
Weighted average number of ordinary shares outstanding during year used in calculating the diluted earnings per share	69,031,119	69,031,119
Earnings per share		
Basic (cents)	(2.20)	9.71
Diluted (cents)	(2.20)	9.71

There are no dilutive securities on issue.

NOTE 9. DIVIDENDS

No dividend was proposed for current financial year or prior financial year. No franking credits are available to the parent at the end of financial year.

NOTE 10. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2016	2015
	\$	\$
Cash on hand and at bank	77,856	106,350

FINANCIAL REPORT

NOTE 11. TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2016	2015
		\$	\$
Trade receivables	(a)	-	43,083,162
Other receivables	(a)	-	75,629,980
Related party receivables	(b)	4,019,431	7,262,629
Total trade and other receivables (Gross)		<u>4,019,431</u>	<u>125,975,771</u>
Provision for impairment of trade receivables	(a)	-	(43,083,162)
Provision for impairment of other receivables	(a)	-	(75,629,658)
		-	<u>(118,712,820)</u>
Total net trade and other receivable		<u>4,019,431</u>	<u>7,262,951</u>

- (a) All historical trade and other receivables have been fully written off against provisions.
- (b) Related party receivables represent net balances from Zhongsha Construction Ltd and Yanghao Import & Export in relation to property disposal transaction in prior year, which will be offset against future obligation settled by these related parties on behalf of the Group. No interest is charged on the related party receivable balance.

Movements in the provision for impairment of receivables are as follows:

	2016	2015
	\$	\$
Opening Balance	118,712,820	95,858,330
Reversal of previously impaired receivables	-	(27,237)
Provision for impairment recognised during the year	<u>171,367</u>	<u>197,571</u>
Increase in provision for impairment, net	171,367	170,334
Foreign exchange differences	(4,257,356)	22,684,156
Write off of provision against impaired receivables	<u>(114,626,831)</u>	<u>-</u>
Closing Balance	<u>-</u>	<u>118,712,820</u>

FINANCIAL REPORT

NOTE 12.INVENTORY

	Consolidated Group	
	2016	2015
	\$	\$
At cost:		
Raw materials	-	93,132
Work in progress	-	2,763,369
Finished goods	-	1,462,819
	-	4,319,320
Provision for impairment of obsolete inventory	-	(4,319,320)
	-	-

All inventories have been determined to be obsolete and full impairment provision has been raised in prior years. There has been no movement during the year other than foreign exchange translation differences.

All inventory balance has been fully written off against provision balance during the period. No additional inventory provision raised during the current period.

NOTE 13.DEFERRED TAX

	30 June 2016	30 June 2015
Deferred tax assets		
Provision for trade and other receivable at applicable tax rates	6,887,278	7,495,732
Inventory provision at applicable tax rates	750,528	843,131
Impairment of property, plants and equipment at applicable tax rates	134,469	147,493
	7,772,276	8,486,356
Deferred tax liabilities		
Debts forgiven	7,772,276	8,486,356

Deferred tax assets and liabilities are recognised to reflect the temporary differences between book balances and underlying tax records. The amount of deferred tax reflects brought to account temporary timing differences between the accounts and the underlying tax records.

Deferred tax assets have been recognised to the extent of deferred tax liabilities only which reflects the probability of utilising these timing differences in the future.

FINANCIAL REPORT

NOTE 14. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2016	2015
	\$	\$
Trade payables	87,284	91,989
Other payables	2,374,763	2,908,272
Related party payables	352,440	2,327,726
	<u>2,814,487</u>	<u>5,327,987</u>

- (1) Trade payables consist of historical outstanding payable in dispute which has not been finalised. Based on letter of support with Zhongsha Construction Ltd, all liabilities will be assumed by Zhongsha when the negotiation process is finalised.
- (2) Other payables include accrual of expenses and interest-free advances which are unsecured and repayable on demand. In the prior year, certain payables were forgiven pursuant to the corporate and debt restructuring exercise, which are disclosed in Note 5.
- (3) Related party payables relate to interest-free advances from related parties and are unsecured and repayable on demand. Further details are disclosed in Note 21.

NOTE 15. BORROWINGS

	Consolidated Group	
	2016	2015
	\$	\$
<u>Current</u>		
Bank loans	8,327,140	8,558,903
Interest payable	1,629,265	999,281
	<u>9,956,404</u>	<u>9,558,184</u>
 Total borrowings	 <u>9,956,404</u>	 <u>9,558,184</u>

The Group's borrowings are denominated in RMB and USD.

These loans secured against corporate guarantees by Zhongsha Construction Group Co., Ltd. In 2012, the loans were transferred to China Oriental Asset Management Co, Ltd. ("the Lender").

The borrowings are due to be repaid and have been classified as current. The Group is currently working closely with Zhongsha to negotiate the repayment plan with the Lender.

FINANCIAL REPORT

NOTE 16. ISSUED CAPITAL

	Consolidated Group	
	2016	2015
	\$	\$
Fully paid ordinary shares	10,589,121	10,589,121

The number of shares outstanding as of 30 June 2016 is 69,031,119 (2015: 69,031,119).

CAPITAL MANAGEMENT

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

Management monitors the capital on the basis of gearing ratio. The gearing ratio is calculated as net debt (Total liabilities in statement of financial position less cash and cash equivalents) divided by total capital (Total equity in statement of financial position). Management assesses the Group's financial risks and adjusts its capital structure in response to changes in these risks and in the market. These include the management of debt levels, distributions to shareholders and share issues.

The Group does not have externally imposed capital requirements.

NOTE 16. ISSUED CAPITAL (CONT.)

The gearing ratios at 30 June 2016 and 30 June 2015 were as follows:

	Consolidated Group	
	2016	2015
	\$	\$
Total liabilities	20,526,431	23,398,705
Less cash and cash equivalents	(77,856)	(106,350)
Net debt/(cash)	20,448,575	23,292,355
Total equity	(8,609,617)	(7,488,626)
Total capital	11,838,958	15,803,729
Gearing ratio	1.73	1.47

FINANCIAL REPORT

NOTE 17. OTHER RESERVES

	Consolidated Group	
	2016	2015
	\$	\$
(a) Surplus reserve		
Balance at beginning of financial year	67	67
Balance at the end of financial year	67	67
(b) Share option reserve		
Balance at beginning of financial year	319,428	319,428
Balance at the end of financial year	319,428	319,428
(c) Foreign currency translation reserve		
Balance at beginning of financial year	628,976	2,804,799
Exchange differences on translation of foreign operations	367,983	(2,175,823)
Balance at the end of financial year	996,959	628,976
Total other reserves	1,316,454	948,471

(a) Surplus reserve is a legal requirement under the China company law that requires the surplus reserve reaches 50% of the registered capital of the Company before distribution of dividends to shareholders can be made.

(b) Share option reserve is used to recognise the fair value of share based payments.

(c) Foreign currency translation reserve relates to foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into the Group's presentation currency.

NOTE 18. COMMITMENTS

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

NOTE 19. CONTINGENT LIABILITIES

The company is not aware of any contingent liabilities that should be disclosed in accordance with AASB 137.

FINANCIAL REPORT

NOTE 20. KEY MANAGEMENT PERSONNEL (“KMP”)

Remuneration paid or payable to KMP

The total remuneration paid or payable to KMP during the year is as follows:

	Consolidated Group	
	2016	2015
	\$	\$
Salaries and wages	94,780	81,900

The lists of KMP of the Group and their interests in shares and options with KMP are disclosed in Remuneration Report. For other transactions with KMP, please refer to related party disclosure Note 21.

NOTE 21. RELATED PARTY DISCLOSURE

Related Party Balances

Consolidated Group	
2016	2015
\$	\$

Related Party Receivables from

Zhejiang Yanghao Import and Export Co., Limited ⁽²⁾		
- Relating to the sale of property, plant and equipment ⁽³⁾	1,498,886	3,849,561
- Management fees due	-	234,559
Zhongsha Construction Group Co., Limited ⁽¹⁾⁽⁴⁾	2,520,545	3,057,023
Shaoxing Guangsha Knitting Textile & Garments Ornament Co., Limited ⁽¹⁾	-	121,486
	4,019,431	7,262,629

Related Party Payable to

Zhejiang Yanghao Import and Export Co., Limited ⁽²⁾	-	1,916,468
Zhongsha Construction Group Co., Limited ⁽¹⁾	-	400,603
Zhejiang Aurora PV Solar Co., Limited ⁽⁵⁾	-	10,655
Jie Yang, Managing Director ⁽⁶⁾	139,970	-
Kingchan International Development Co., Limited ⁽⁵⁾	212,470	-
	352,440	2,327,726

⁽¹⁾ related party of Yan YANG, Managing Director of the Group

⁽²⁾ related party of Jie YANG, former Executive Director of the Group

⁽³⁾ As disclosed in Note 3 and Note 11, Zhejiang Don Dragon Import and Export Co., Ltd. sold the asset held for sale to YIE during the year. This amount represents proceeds receivable from YIE after netting off the amount due to YIE.

⁽⁴⁾ In prior year the group sold its property, plant and equipment to Zhongsha Construction and Yanghao Import & Export Ltd. This amount represents proceeds receivable from Zhongsha Construction after netting off with amount due to them.

⁽⁵⁾ related party of Shengfeng Zhou, General Manager

⁽⁶⁾ Balance represents cash provided to the Australian parent from Yangjia via external parties to support the operation.

FINANCIAL REPORT

NOTE 21. RELATED PARTY DISCLOSURE (CONT.)

Related Party Transactions

	Consolidated Group	
	2016	2015
	\$	\$
Management services fees charged to Zhejiang Yanghao Import & Export Co., Limited ⁽²⁾	31,348	64,493
Company secretarial service and accounting fee paid to Addsum Accountants ⁽³⁾	(21,666)	(43,333)
Sale of property, plant and equipment and asset held for sale ⁽⁴⁾		
Zhongsha Construction Group Co., Limited ⁽¹⁾	-	4,503,067
Zhejiang Yanghao Import & Export Co., Limited ⁽²⁾	-	4,760,806
Electricity bill paid on behalf of related parties and written off during the period:		
Shaoxing Guangsha Knitting Textile & Garments Ornament Co., Limited	139,013	-
Zhejiang Aurora PV Solar Co., Limited	32,354	-
Transfer of funds from related party during the year:		
Zhongsha Construction Group Co., Limited ⁽¹⁾	-	2,558,754
Zhejiang Yanghao Import & Export Co., Limited ⁽²⁾	-	872,252
Jie Yang	139,970	-
Kingchan International Development Co., Limited ⁽⁵⁾	212,470	-

(1) related party of Yan Yang, Managing Director of the Group

(2) related party of Jie Yang, formal Executive Director of the Group

(3) Related party of Cathy Guo, formal Non-Executive Director and formal Company Secretary of the Group

(4) Property sold to Zhongsha Construction and Yanghao Import & Export in the prior year.

(5) Related party of Shengfeng Zhou, General Manager

Other than those disclose here and elsewhere in the financial statements, there were no other related party transactions undertaken by the Group during the financial year.

FINANCIAL REPORT

NOTE 22. GROUP ENTITIES

The subsidiary of Yanghao International Limited is:

Name	Country of Incorporation	Percentage Owned (%)	
		2016	2015
• Millenarianism Tower Limited	BVI	100%	100%

The subsidiaries of Millenarianism Tower Limited include:

Name	Country of incorporation	Percentage Owned (%)	
		2016	2015
• Shaoxing Don Dragon Knitting Textile and Garments Ornament Company Ltd	China	100%	100%
• China Prosper Enterprises Limited	Hong Kong	100%	100%
• Don International Trading and Finance Limited	Hong Kong	100%	100%
• Royal International Holdings Ltd	Hong Kong	100%	100%
• Express International Enterprise Ltd	Hong Kong	100%	100%

The subsidiaries of Shaoxing Don Dragon Knitting Textile and Garments Ornament Company Limited are:

Name	Country of incorporation	Percentage Owned (%)	
		2016	2015
• Zhejiang Don Dragon Import and Export Company Limited	China	100%	100%
• Don International Trading Ltd	Hong Kong	100%	100%

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NOTE 23. OPERATING SEGMENTS

The Board has 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 has concluded at this time that there are no separately identifiable segments.

NOTE 24. CASH FLOW INFORMATION

Reconciliation of profit after tax to net cash flow from operating activities

	Consolidated Group	
	2016	2015
	\$	\$
Net profit/(loss) after tax for the year	(1,516,045)	6,703,337
Non-cash flows in profit/(loss):		
- Depreciation	-	48,606
- Provision for impairment of receivables	171,367	170,334
- Reversal of payables	(15,378)	-
- Debt forgiveness	-	(2,343,582)
- Impairment of property, plant and equipment	-	8,434
- Interest costs	-	406,119
- Gain on disposals of property, plant and equipment and non-current assets held for sale	-	(6,357,223)
- Provision for settlement of litigation claim	-	977,000
- Effects of foreign exchange differences	388,481	31,236
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	2,666,224	105,842
(Increase)/Decrease in borrowings	398,220	-
(Decrease) in trade and other payables	(2,498,122)	(2,878,232)
(Decrease)/Increase in current tax payable	(15,843)	(244,469)
Net cash flow used in operating activities	(421,096)	(3,372,598)

NOTE 25. GOING CONCERN

As at 30 June 2016, the Group's total liabilities exceeded its total assets by \$8.63 million. The consolidated entity's ability to continue as a going concern is contingent upon the continued financial support of related parties and/or capital injection.

If the continued financial support of related parties is not maintained, sales growth is not achieved and/or capital are not injected, the going concern basis of accounting may not be appropriate, as a result that the Group may have to realise its 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.