

# **ASF Group Limited**

**ABN 50 008 924 570**

**Annual Report - 30 June 2018**

Dear Shareholders,

On behalf of the Board of Directors I present the Annual Report of the consolidated entity (referred to as the 'Group') consisting of ASF Group Limited (referred to as the 'Company') and the entities it controls.

As one of the most successful Sino-Australian investment and trading groups in Australia, we continue to be bullish about Chinese investment interest for overseas assets especially Australia, UK and Europe. As the trade war between China and the United States escalates, our geographical focus areas of business in Australia and Europe will benefit.

The 2018 financial year was a pivotal year for the Company, filled with exciting growth and progress across most of our portfolio assets. Our investments continue to deliver long term shareholder value year on year. The key highlights of the year include the Dawson West Project, a coal development project in Queensland, which reached a significant milestone this year and is 12+ months away from production in the Bowen Basin. On the property side of the business, Phase I and Phase II of the waterfront housing development project called The Peninsula Hope Island in Hope Island, Gold Coast are both almost sold out and work has commenced on Phase III, a luxury apartment block. Also, we've launched a set of ultra luxury apartments call 'the Au, Surfers Paradise' consisting of single floor apartments and triple-level penthouses designed by award winning Sydney designer Greg Natale.

Furthermore, we successfully finalised the Procurement Process for the Gold Coast Integrated Resort project reaching a mutually beneficial position with the Queensland Government.

And finally, we're extremely pleased about a strategic collaboration with Southmore Capital, an Australian venture capital firm located in Adelaide. We are in the process of establishing a Venture Fund which will seek to make investments into qualified Australian early stage opportunities.

All in all, it's been a year of growth across all fronts with considerable progress having been made. But this work carries onto this coming year. We anticipate 2019 will be an even stronger and more profitable year for the Group. Over the years, we have built a diversified asset base. We continue to realize investments year by year as the right opportunities arise. Our shareholders should expect to see further shareholder value and growth in the next financial year.

As the macroeconomic climate continues to trend from West towards the East, the Company is at the forefront and will continue to strategically position itself to capitalise on this shift.

I'd like to thank all our loyal shareholders for their continued support in 2018, and all our hardworking Directors, employees and consultants who have exhibited unrelenting grit and determination during this period to make steady progress as the Group continues to be 'the driving force behind strategic investment between China, Australia, the United Kingdom, and Europe'.

Thanks for joining us on the journey.

Yours sincerely,



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Min Yang  
Chairman

28 September 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ASF Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

### **Directors**

The following persons were directors of ASF Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms Min Yang - Chairman  
Mr Nga Fong (Alex) Lao  
Mr Quan (David) Fang  
Mr Wai Sang Ho  
Mr Geoff Baker  
Mr Chi Yuen (William) Kuan  
Mr Louis Li Chien  
Mr Yong Jiang (resigned on 28 May 2018)

### **Principal activities**

The Group is a Sino-Australian investment and trading house which focuses principally on the identification, incubation and realisation of opportunities in areas of synergy between China, Australia, UK and Europe including oil & gas, resources, property, infrastructure, travel and financial services sectors.

### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

### **Review of operations**

The loss for the Group after providing for income tax and non-controlling interest amounted to \$631,000 (30 June 2017: \$19,530,000).

### **Financial results and commentary**

Revenue from continuing operations for the year was \$1,493,000 (2017: \$877,000). Sale and marketing of Hope Island continued to provide revenue contribution to the Group. Commission revenue from the project amounted to \$592,000. In addition to the Hope Island project, the Group also provides development management service for another property development project - 'the Au, Surfers Paradise' on the Gold Coast, which is expected to generate further revenue for the Group in the upcoming years.

The Group's other income for the year was contributed by the funds received on conclusion of the Procurement Process of the Gold Coast Integrated Resort project and the write back of impairment of a listed investment.

The loss for the year was mainly attributed to the following

- Provision for impairment of loans granted to ActiveEX Limited and Rey Resources Limited of \$2,777,000; and
- Impairment of tenement assets of \$1,655,000

In the year ahead, the Group will be in a divestment stage and continue to realise its mature investments in order to drive increased shareholder value while providing positive contributions to the Group's results.

### Financial position

During the year, the Group further reduced its debts with repayment of \$10 million in convertible notes together with accrued interest in November 2017. As a result, outstanding convertible notes (inclusive of accrued interest) decreased significantly from \$28.7 million last year to \$18.8 million as at 30 June 2018.

Net assets at 30 June 2018 decreased by 24.5% to \$3.54 million, as compared to \$4.69 million as at 30 June 2017.

With continuing support from Star Diamond Developments Limited ('Star Diamond'), the company entered into a Deed of Amendment on 29 December 2017 with Star Diamond to increase the convertible loan facilities ('SD Facilities') by \$5 million to a total of \$20 million with and a further extension of the maturity date to 31 October 2020. The Group has \$9 million remaining available for draw down.

Finance costs amounted to \$2,005,000 (2017: \$1,863,000) which represented mostly the interest on the convertible loan facilities.

During the financial year, the company bought back 1,122,668 shares at a cost of \$193,000.

The Group maintains a strong cash position with a balance of \$4,585,000 as at 30 June 2018.

### Principal Investments

#### *ActivEX Limited ('AIV')*

AIV is an ASX listed mineral exploration company holding a number of prospective tenements, principally targeting copper-gold and gold mineralisation in Queensland. AIV also holds a potash project in Western Australia, which has an established resource and a granted mining lease.

On 14 November 2017, the company granted a \$1 million standby loan facility to AIV for a term of 1 year at an interest rate of 12% per annum. AIV had drawn down \$705,000 of the loan facility as at 30 June 2018.

The Group holds 19.62% of the issued capital of AIV with a book value of \$1.6 million, compared with its market value as at 30 June 2018 of \$4.2 million.

#### *Rey Resources Limited ('REY')*

REY is an ASX listed oil & gas exploration and development company with activities focused on a large tenement holding in the Canning Basin, Western Australia.

On 12 October 2017, the Group entered into a loan agreement with REY for a \$1 million standby loan facility which was subsequently increased to \$2.5 million and the maturity date extended to 31 December 2019. The loan bears interest at 12% per annum. As at 30 June 2018, \$1.94 million of the loan facility had been drawn down by REY.

As at 30 June 2018, the Group holds 16.32% of the issued capital of REY with a market value of \$11 million.

#### *Key Petroleum Limited ('KEY')*

KEY is an ASX listed Australian oil and gas operating company focused on exploration in conventional and unconventional projects in the North Perth and Canning Basin in Western Australia. Acreage within the Canning Basin portfolio consists of a number of exciting development and exploration opportunities.

As at 30 June 2018, the Group holds 16.41% of the issued capital of KEY with a market value of \$1.99 million.

#### *Kaili Resources Limited ('KLR')*

KLR is a resources exploration company which holds one Coal tenement in Queensland, three Iron and five Gold tenements in Western Australia. As of 30 June 2018, the Group held 2.24% of the issued capital of KLR.

#### *Civil & Mining Resources Pty Ltd ('CMR')*

CMR is a privately-owned company with a substantial coal tenement portfolio in Queensland. CMR's tenements are located throughout all the major coal-bearing basins in Queensland and are situated in close proximity to operating mines, infrastructure and proven economic coal resources. The major assets of CMR comprise of 14 Exploration Permits for Coal (EPCs) one Mineral Development Licence (MDL) and two Mining Lease applications (MLAs) in Queensland.

CMR has successfully completed 48 boreholes on their key project Dawson West, with a total of 10,940m drilled, geophysical logged, selectively cored, sampled and analysed, which has confirmed export quality thermal coal resources with potentially mineable thickness seams extending into unexplored areas. CMR has defined a JORC 2012 code compliant resource, with a total of 872Mt (184Mt Indicated, 688Mt Inferred resource).

Following completion of the recent exploration program at the Dawson West Project, CMR Coal lodged a bulk sample pit application which has now been approved. This includes the Environmental approval and a signed Cultural Heritage Management Plan with the traditional owners.

As at 30 June 2018, the company, together with its subsidiary, ASF Resources Limited, held 68.97% of the issued share capital of CMR.

### **Property marketing and services**

ASF Properties Pty Ltd ('ASFP'), a wholly-owned subsidiary of the company, continues to provide international property and marketing services to investors in Australia and China. It represents an important strategic platform for China-based investors to access the Australian real estate market.

Since 2015, ASFP has undertaken a development management role on a waterfront development project named 'The Peninsula, Hope Island' and situated at Hope Island, Gold Coast. The Peninsula Hope Island, which includes 45 House lots, 27 Town houses and 115 Apartments across three buildings, is Gold Coast's very last waterfront development released at the exclusive Hope Island Resort. The project is master planned by AECOM, a premier, fully integrated professional and technical services firm positioned to design, build, finance and operate infrastructure assets around the world for public and private-sector clients. ASFP is also working extensively on the project with a number of domestic professional companies relating to project management, architecture, landscaping and building etc. During the year, a marketing campaign has been launched and approximately 89% of the properties under Stage I, which comprises the housing lots, have been sold. Stage II of the project includes 17 town houses and one block of 40 apartments was also released. Currently, the Stage II town houses have been almost sold out and the construction of the apartment building has been completed. Since September 2017, ASFP has also been providing development management role for another property development 'the Au, Surfers Paradise' on the Gold Coast, which is located right on Surfers Paradise Beach and consists of 14 luxury residential units, two triple-level penthouse apartments with private swimming pools and 12 single floor apartments. Designed by award winning designer Greg Natale, the project offers an unprecedented standard in Gold Coast living and is also the only product to offer 15m of oceanfront views. Currently there has been strong interest expressed by potential buyers. It is expected that these two projects will continue to provide revenue contribution to ASFP in the year ahead.

ASFP and Sungrass Pty Ltd, a real estate agent and property management company in Queensland, have established a Joint Venture named GCPM Pty Ltd. GCPM Pty Ltd has been providing property management service for townhouses and apartments in the Peninsula, Hope Island since April 2018 and the rental income revenue is expected to increase in the new financial year.

### **Fund management and advisory services**

ASF Capital Pty Ltd ('ASF Capital') is the fund management and advisory arm of the Group's core strategy to facilitate two-way capital flows between Australia and Asia. ASF Capital provides services to selected Asian businesses on matters such as public listing, visa migration, and funds management in Australia.

ASF Capital operates with an Australian Financial Services Licence ('AFSL') and has a history of assisting Asian businesses enter and/or expand in Australia. ASF Capital has the capability to form any number of tailor-made wholesale funds to capture a diverse array of investment opportunities including infrastructure, real estate, mining and technology.

ASF Capital is establishing a pipeline of property funds that offer wholesale investors the opportunity to participate in high quality property development projects in New South Wales and Queensland. In partnership with the development arm of ASF, the aim is to provide outstanding financial returns to wholesale investors based on their different appetites through property development opportunities.

Furthermore, ASF Capital's strategic collaboration with an Australian venture capital firm aims to broaden opportunities in funds offerings, funds management and marketing cooperation. First among the products is a Venture Fund which will seek to make investments into Australian early stage venture capital opportunities offered by qualified Venture Capital Limited Partnerships.

### **Castle Green, London**

The Group and the London Borough of Barking & Dagenham ('LBBD') continue to work jointly together in assessing the possible development of a major infrastructure project in the Castle Green area, which could include the building of 15,000 new residential dwellings; rerouting of the A13 trunk road and creating commercial buildings of 3,700,000 square feet which will create an estimated 8,000 employment opportunities.

The Castle Green project will be transformational for LBBD, bringing considerable social, economic and infrastructure benefits, and will be conducted together with Be First LBBD's local authority regeneration company.

### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial year.

### **Matters subsequent to the end of the financial year**

On 18 July 2018, the Company announced that it has agreed to extend the facility limit granted to Rey Resources Limited to \$2,500,000.

On 24 September 2018, the Company announced that it has agreed to extend the facility limit granted to ActivEx Limited to \$2,000,000 and also extend the maturity date to 31 December 2019.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### **Likely developments and expected results of operations**

Refer to 'review of operations section' above for information on likely developments and expected results of operations.

### **Environmental regulation**

The Group's operations are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the state of Queensland. The Group is at all times in full environmental compliance with the conditions of its licences.

### **Information on directors**

Name:	Ms Min Yang
Title:	Director and Chairman
Experience and expertise:	Ms. Yang has extensive business connections in the Asia Pacific region including greater China, and has over 20 years of hands-on experience dealing with both private and state-run businesses in China. Over the years, Min Yang has proven her unique business insight and expertise in the identification, incubation and realisation of embryonic opportunities in the resources, commodities, trading and residential estate and financial investment sectors.
Other current directorships:	Non-executive Chairman of ActivEX Limited (ASX: AIV), Rey Resources Limited (ASX: REY) and Non-executive director of Key Petroleum Limited (ASX: KEY).
Former directorships (last 3 years):	Non-executive director of Metaliko Resources Ltd (ASX: MKO) - resigned 27 October 2016
Special responsibilities:	None
Interests in shares:	Direct interest in 286,500 ordinary shares and indirect interest in 86,914,266 ordinary shares held by FY Holdings Limited which is jointly controlled by Ms Yang and Mr Fang.

Name:	Mr Nga Fong (Alex) Lao
Title:	Vice Chairman and Non-Executive Director
Experience and expertise:	Mr Lao is the managing director of ASF Macau Multinational Holdings Limited and is in charge of the operations of Multinational Youth Travel Agency Limited. Mr Lao resides in Macau where he has business interests in property, travel and retail industries and is Chairman of the Macau Travel Agency Association.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	18,026,525 ordinary shares
Name:	Mr Quan (David) Fang
Title:	Director
Experience and expertise:	Mr Fang was born in Shanghai. He is multilingual, speaking Mandarin, Shanghai dialect, Cantonese and English. Mr Fang has extensive experience in the property sector covering property sales/marketing development, acquisition, and syndication.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Direct interest in 10,000 ordinary shares and indirect interest in 86,914,266 ordinary shares held by FY Holdings Limited which is jointly controlled by Ms Yang and Mr Fang.
Name:	Mr Wai Sang Ho
Title:	Non-executive director
Experience and expertise:	Mr Ho is a Hong Kong resident and a large property developer in Southern China. He has substantial property interests in Hong Kong and China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	44,620,770 ordinary shares
Name:	Mr Geoff Baker
Title:	Director
Qualifications:	Mr Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial Management), a Law degree and Master of business administration (MBA).
Experience and expertise:	Mr Baker assists in the international operations of the Group. He joined the Group after practising extensively for 30 years as a lawyer in Australia, Japan, Asia and China.
Other current directorships:	Non-executive director of Rey Resources Limited (ASX: REY), ActivEX Limited (ASX: AIV) and Key Petroleum Limited (ASX: KEY).
Former directorships (last 3 years):	Non-executive director of Metaliko Resources Ltd (ASX: MKO) - resigned 9 January 2017
Special responsibilities:	Chairman of the Audit Committee
Interests in shares:	Indirect interest in 7,734,517 ordinary shares held by Gold Star Industry Ltd, a related entity



Name: Mr Chi Yuen (William) Kuan  
Title: Executive Director and Company Secretary  
Qualifications: Mr Kuan holds a Master Degree in International Accounting. He is a Fellow of CPA Australia and a member of the Institute of Chartered Secretaries and Administrators (ICSA) in the UK.  
Experience and expertise: Mr Kuan joined the Group as the Company Secretary in February 2010 and has been responsible for all aspects of financial and corporate matters of the Group. He has extensive experience in accounting, corporate finance and company secretarial areas. Prior to joining the Group, he was company secretary for a number of diverse Hong Kong listed companies.  
Other current directorships: None  
Former directorships (last 3 years): Non-executive Director of Kaili Resources Limited (ASX: KLR) - resigned 9 November 2016  
Special responsibilities: None  
Interests in shares: 250,000 ordinary shares

Name: Mr Louis Li Chien  
Title: Executive Director  
Qualifications: Mr Chien holds a Master of Business Administration (MBA) from Kelley School of Business, Indiana University and two bachelor degrees in Architecture.  
Experience and expertise: Mr Chien was born in Shanghai, China. He was raised in the United States where he was educated and worked as an architect. He now lives in Sydney, Australia. With over 20 years of experience working in Fortune 100 companies mostly based in the United States and Singapore, Mr Chien has managed companies across the Americas, Europe and Asia-Pacific. He is principally responsible for the management of investments, development, financial, and operational activities. Prior to joining the Group, Mr Chien held various leadership positions within Procter & Gamble Company (P&G).  
Other current directorships: Alternate Director to Ms Min Yang for Rey Resources Limited (ASX: REY)  
Former directorships (last 3 years): Alternate Director to Ms Min Yang for Metaliko Resources Ltd (ASX: MKO) - resigned 27 October 2016  
Special responsibilities: Member of the Audit Committee  
Interests in shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### **Company secretary**

Mr Chi Yuen (William) Kuan's experience is detailed in the 'information on directors' section above.

### **Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Ms Min Yang - Chairman	3	3	-	-
Mr Nga Fong (Alex) Lao	1	3	-	-
Mr Quan (David) Fang	3	3	-	-
Mr Wai Sang Ho	1	3	-	-
Mr Geoff Baker	3	3	2	2
Mr William Kuan	3	3	-	-
Mr Louis Chien	3	3	2	2
Mr Yong Jiang	3	3	-	-

Held: represents the number of meetings held during the time the director held office.



### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### ***Principles used to determine the nature and amount of remuneration***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness to attract and retain key talent;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

While the Group does not have a remuneration committee, the Board is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

### ***Non-executive directors' remuneration***

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. Non-executive directors' fees and payments are reviewed annually by the Board.

### ***Executive remuneration***

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and the overall performance of the Group and comparable market remunerations. Other retirement benefits may be provided by the Group if approved by shareholders.

Directors receive fixed monthly salary or consulting fees for providing consulting services to the Group.

There are no guaranteed base pay increases included in any executives' contracts.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

No short-term incentive ('STI') payments were made during the year.

The long-term incentives ('LTI') include long service leave.

#### *Group's performance and link to remuneration*

There is at present no direct link between remuneration and earnings except that the Board have decided that payments for services rendered should be kept to a minimum.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2018, the Group did not use any remuneration consultants.

#### *Voting and comments made at the company's 2017 Annual General Meeting ('AGM')*

At the 2017 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices and received unanimous approval on the adoption of its remuneration report.

#### **Details of remuneration**

##### *Amounts of remuneration*

Details of the remuneration of the KMP of the Group are set out in the following tables.

The key management personnel of the Group consisted of the directors of ASF Group Limited and the following person:

- Nicholas Williams - Director of Resources

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2018</b>							
<i>Executive Directors:</i>							
Min Yang	257,817	-	-	2,967	-	-	260,784
David Fang	158,254	-	-	2,967	-	-	161,221
Geoff Baker	302,254	-	-	2,967	-	-	305,221
William Kuan	161,999	-	-	20,175	3,515	-	185,689
Louis Chien	369,183	-	-	8,455	736	-	378,374
Yong Jiang*	66,667	-	-	5,700	-	-	72,367
<i>Other Key Management Personnel:</i>							
Nicholas Williams	320,004	-	-	-	-	-	320,004
	1,636,178	-	-	43,231	4,251	-	1,683,660

\* Represents remuneration up to the date of resignation as KMP for Yong Jiang on 28 May 2018

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2017	\$	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>							
Min Yang	265,047	-	-	3,076	-	-	268,123
David Fang	164,037	-	-	3,076	-	-	167,113
Geoff Baker	308,037	-	-	3,076	-	-	311,113
Xin Zhang*	20,000	-	-	1,900	-	-	21,900
William Kuan	148,666	-	-	33,675	3,400	-	185,741
Louis Chien	377,004	-	-	10,841	-	-	387,845
Yong Jiang	81,239	-	-	7,600	793	-	89,632
<i>Other Key Management Personnel:</i>							
Nicholas Williams	320,004	-	-	-	-	-	320,004
	1,684,034	-	-	63,244	4,193	-	1,751,471

\* Represents remuneration up to the date of retirement as KMP for Xin Zhang on 25 November 2016

Nga Fong (Alex) Lao and Wai Sang Ho did not receive any remuneration during 2018 and 2017 financial year.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		STI	2017
	2018	2017		
<i>Executive Directors:</i>				
Min Yang	100%	100%	-	
David Fang	100%	100%	-	
Geoff Baker	100%	100%	-	
William Kuan	100%	100%	-	
Louis Chien	100%	100%	-	
Yong Jiang	100%	100%	-	
Xin Zhang	-	100%	-	
<i>Other Key Management Personnel:</i>				
Nicholas Williams	100%	100%	-	

### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Min Yang  
Title: Director and Chairman  
Agreement commenced: 1 October 2012  
Term of agreement: Open ended  
Details: An employment contract exists between Ms Yang and ASF (Hong Kong) Limited (a subsidiary of the Group) which was entered on 1 October 2012. Ms Yang receives fixed remuneration of HK\$100,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice. From 1 January 2014, a consultancy agreement has existed between Civil & Mining Resources Pty Ltd (a subsidiary of the Group) and the director's related entity, Luxe Hill Ltd. A consulting fee is payable of A\$5,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Name: Quan (David) Fang  
Title: Director  
Agreement commenced: 1 January 2016  
Term of agreement: Open ended  
Details: On 1 January 2016, Mr Fang signed an employment contract with ASF (Hong Kong) Limited (a subsidiary of the Group) with a fixed salary of HK\$80,000 per month. The contract may be terminated at any time by either party giving to the other party 30 days prior written notice.

Name: Geoff Baker  
Title: Director  
Agreement commenced: 1 August 2012  
Term of agreement: Open ended  
Details: An employment contract exists between Mr Baker and ASF (Hong Kong) Limited (a subsidiary of the Group). Mr Baker receives a fixed remuneration of HK\$80,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice. A consultancy contract exists between the Group and the director's related entity, Gold Star Industry Limited. A consulting fee of A\$9,500 per month is payable. From 1 January 2014, a consultancy agreement exists between Civil & Mining Resources Pty Ltd (a subsidiary of the Group) and the director's related entity, Gold Star Industry Limited. A consulting fee of A\$2,500 per month is payable. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Name: Yong Jiang  
Title: Director  
Agreement commenced: 1 August 2013  
Term of agreement: Open ended  
Details: Mr Jiang was employed by the Group under an employment agreement. Mr Jiang received fixed remuneration of A\$6,667 per month plus superannuation. The contract may be terminated at any time by either party. For the employer, the period of such notice must be at least 4 weeks. For the employee, the period of such notice must be at least 12 weeks. Mr Jiang resigned on 28 May 2018.

Name: Chi Yuen (William) Kuan  
Title: Executive Director and Company Secretary  
Agreement commenced: 1 February 2010  
Term of agreement: Open ended  
Details: Mr Kuan is employed by the Group under an employment agreement. Mr Kuan receives fixed remuneration of A\$13,750 per month plus superannuation. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

Name: Louis Li Chien  
Title: Executive Director  
Agreement commenced: 1 April 2015  
Term of agreement: Open ended  
Details: Mr Chien is employed by the Group under an employment agreement. Mr Chien receives fixed remuneration of A\$7,417 per month and superannuation. The contract may be terminated at any time by either party giving to the other party not less than 4 weeks prior written notice. A consultancy agreement exists between ASF China Holdings Limited (a subsidiary of the Group) and the director's related entity, Studio 1618, Limited Liability Corporation. A consulting fee of US\$18,000 per month is payable. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Name: Nicholas Williams  
Title: Director of Resources  
Agreement commenced: 1 December 2013  
Term of agreement: 6 years and 59 days  
Details: A Service Agreement dated 3 December 2013 (as amended by Deed of Variation dated 29 April 2015) exists between the Group and Exploration Project Management Pty Ltd, a related entity of Mr Nicholas Williams. A consulting fee of A\$26,667 per month is payable. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### **Share-based compensation**

#### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

#### *Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that was outstanding as at 30 June 2018.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2018.

### **Additional information**

The earnings of the Group for the five years to 30 June 2018 are summarised below:

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Sales revenue	1,493	877	1,119	639	1,262
Profit (Loss) after income tax	(631)	(19,530)	(15,253)	(14,226)	956
Net equity	3,542	4,689	12,447	28,249	18,299

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016	2015	2014
Average share price (\$)	0.17	0.21	0.30	0.24	0.16
Basic earnings per share (cents per share)	(0.09)	(3.23)	(2.53)	(2.56)	0.25
Share buy-back (\$'000)	193	98	180	976	81

### **Additional disclosures relating to key management personnel**

#### **Shareholding**

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Min Yang*	286,500	-	-	-	286,500
Nga Fong (Alex) Lao	18,026,525	-	-	-	18,026,525
Quan (David) Fang*	10,000	-	-	-	10,000
Wai Sang Ho	44,620,770	-	-	-	44,620,770
Geoff Baker **	7,734,517	-	-	-	7,734,517
Yong Jiang***	300,000	-	-	(300,000)	-
William Kuan	250,000	-	-	-	250,000
	71,228,312	-	-	(300,000)	70,928,312

\* The above shareholding excludes indirect interest of 86,914,266 (2017: 86,914,266) shares held by FY Holdings Limited, an entity jointly controlled by Ms Yang and Mr Fang.

\*\* Included in Mr Baker's holdings are indirect interests held by Gold Star Industry Ltd which is controlled by Mr Baker.

\*\*\* For Mr Jiang disposals/other represents shares held at resignation date.

Louis Chien held no shares in the company during the financial year.

#### **Other transactions with key management personnel and their related parties**

Rent paid on the operating lease of the head office of the Group to SPC Investments Pty Ltd, an entity in which Ms Min Yang has a beneficial interest, amounting to \$252,665 (2017: \$216,909)

***This concludes the remuneration report, which has been audited.***

#### **Shares under option**

There were no unissued ordinary shares of ASF Group Limited under option outstanding at the date of this report.

#### **Shares issued on the exercise of options**

There were no ordinary shares of ASF Group Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

#### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of Grant Thornton**

There are no officers of the company who are former partners of Grant Thornton.

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'Min Yang', written over a horizontal line.

---

Min Yang  
Chairman

28 September 2018  
Sydney



## Auditor's Independence Declaration

### To the Directors of ASF Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of ASF Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



N P Smietana  
Partner – Audit & Assurance

Sydney, 28 September 2018

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## **General information**

The financial statements cover ASF Group Limited as a Group consisting of ASF Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

ASF Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, 3B Macquarie Street  
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2018. The directors have the power to amend and reissue the financial statements.

**ASF Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**



	Note	Consolidated 2018 \$'000	2017 \$'000
<b>Revenue</b>	4	1,493	877
Share of losses of associates accounted for using the equity method	31	(521)	(316)
Other income	5	13,394	4,562
<b>Expenses</b>			
Commission and fee expenses		(514)	(387)
Consultancy expenses		(1,664)	(1,296)
Marketing expenses		(185)	(313)
Employee benefits expense		(2,292)	(2,227)
Depreciation expense	6	(121)	(171)
Impairment of assets	6	(4,437)	(13,509)
Net fair value movements on other financial assets		(20)	-
Legal and professional fees		(1,570)	(2,608)
Corporate and administration expenses		(1,200)	(1,427)
Occupancy expenses		(1,281)	(1,245)
Finance costs	6	(2,005)	(1,863)
<b>Loss before income tax expense</b>		(923)	(19,923)
Income tax expense	7	-	-
<b>Loss after income tax expense for the year</b>		(923)	(19,923)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(30)	86
Other comprehensive income for the year, net of tax		(30)	86
<b>Total comprehensive income for the year</b>		<u>(953)</u>	<u>(19,837)</u>
Loss for the year is attributable to:			
Non-controlling interest		(292)	(393)
Owners of ASF Group Limited		(631)	(19,530)
		<u>(923)</u>	<u>(19,923)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(292)	(393)
Owners of ASF Group Limited		(661)	(19,444)
		<u>(953)</u>	<u>(19,837)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	32	(0.09)	(3.23)
Diluted earnings per share	32	(0.09)	(3.23)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

	Note	Consolidated 2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	4,585	17,669
Trade and other receivables	9	176	1,248
Other	10	103	34
Total current assets		<u>4,864</u>	<u>18,951</u>
<b>Non-current assets</b>			
Other receivables	11	424	394
Investments accounted for using the equity method	12	14,389	10,598
Financial assets at fair value through profit or loss		79	99
Property, plant and equipment	13	260	362
Intangibles	14	<u>3,163</u>	<u>4,281</u>
Total non-current assets		<u>18,315</u>	<u>15,734</u>
<b>Total assets</b>		<u>23,179</u>	<u>34,685</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	1,518	1,196
Borrowings	17	6,125	20
Employee benefits	16	98	104
Total current liabilities		<u>7,741</u>	<u>1,320</u>
<b>Non-current liabilities</b>			
Borrowings	18	<u>11,896</u>	<u>28,676</u>
Total non-current liabilities		<u>11,896</u>	<u>28,676</u>
<b>Total liabilities</b>		<u>19,637</u>	<u>29,996</u>
<b>Net assets</b>		<u>3,542</u>	<u>4,689</u>
<b>Equity</b>			
Issued capital	19	113,463	113,657
Reserves	20	(777)	(747)
Accumulated losses		<u>(107,385)</u>	<u>(106,754)</u>
Equity attributable to the owners of ASF Group Limited		5,301	6,156
Non-controlling interest		<u>(1,759)</u>	<u>(1,467)</u>
<b>Total equity</b>		<u>3,542</u>	<u>4,689</u>

The above statement of financial position should be read in conjunction with the accompanying notes

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016	101,703	(833)	(87,224)	(1,199)	12,447
Loss after income tax expense for the year	-	-	(19,530)	(393)	(19,923)
Other comprehensive income for the year, net of tax	-	86	-	-	86
Total comprehensive income for the year	-	86	(19,530)	(393)	(19,837)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 19)	12,052	-	-	-	12,052
Share buy-back (note 19)	(98)	-	-	-	(98)
Change in non-controlling interests	-	-	-	125	125
Balance at 30 June 2017	<u>113,657</u>	<u>(747)</u>	<u>(106,754)</u>	<u>(1,467)</u>	<u>4,689</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	113,657	(747)	(106,754)	(1,467)	4,689
Loss after income tax expense for the year	-	-	(631)	(292)	(923)
Other comprehensive income for the year, net of tax	-	(30)	-	-	(30)
Total comprehensive income for the year	-	(30)	(631)	(292)	(953)
<i>Transactions with owners in their capacity as owners:</i>					
Share buy-back (note 19)	(194)	-	-	-	(194)
Balance at 30 June 2018	<u>113,463</u>	<u>(777)</u>	<u>(107,385)</u>	<u>(1,759)</u>	<u>3,542</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

		Consolidated	
	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,369	780
Payments to suppliers (inclusive of GST)		(9,219)	(10,438)
Interest received		59	29
Interest and other finance costs paid		(2,055)	(595)
Net cash used in operating activities	33	(9,846)	(10,224)
<b>Cash flows from investing activities</b>			
Payments for investment in other financial assets		-	(2,700)
Proceeds from sale of investments in other financial assets		-	7,784
Payments for property, plant and equipment	13	(18)	(31)
Payments for intangibles	14	(537)	(2,119)
Payments for investment in associates		-	(670)
Funds received on conclusion of GCIR procurement process		9,082	-
Proceeds from release of security deposits		1,000	-
Net cash from investing activities		9,527	2,264
<b>Cash flows from financing activities</b>			
Loan to associates		(2,645)	-
Proceeds from borrowings		105	11,000
Repayment of borrowings		(10,000)	-
Proceeds from issue of shares	19	-	12,052
Payments for share buy-backs	19	(193)	(98)
Cost of share buy-back	19	(1)	-
Net cash (used in)/from financing activities		(12,734)	22,954
Net (decrease)/increase in cash and cash equivalents		(13,053)	14,994
Cash and cash equivalents at the beginning of the financial year		17,669	2,497
Effects of exchange rate changes on cash and cash equivalents		(31)	178
Cash and cash equivalents at the end of the financial year		4,585	17,669

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Continued operations and future funding

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the year ended 30 June 2018, the Group recorded a loss after income tax and non-controlling interest of \$631,000 (2017: \$19,530,000); showed net cash inflows from investing activities of \$9,527,000 (2017: \$2,264,000) and net cash outflows from operating activities of \$9,846,000 (2017: \$10,224,000) and, as of that date, the Group's current liabilities exceeded its current assets by \$2,877,000 as opposed to 2017 where the Group's current assets exceeded current liabilities by \$17,631,000. The net assets of the Group as of 30 June 2018 were \$3,542,000 (2017: \$4,689,000).

The ability of the Group to meet its commitments and to develop its projects or divest for a profit is dependent upon the Group continuing to raise capital and/or realise its investments.

The directors have considered the following, in their assessment of the future funding of the Group:

- The Group manages cash diligently to meet immediate business needs. The Group has a long and proven track record in raising capital via share placements, rights issues and convertible notes over the past 12 years. As at the date of this report, the Group has \$9 million in a convertible note facility available for draw down;
- The Group expects convertible notes amounting to \$11,896,000 to be converted to equity or extended before their expiry. No cash outlay will be required;
- The Group plans to undertake further capital raising or realisation of assets during the next 12 months as needed;
- The Group holds the ability to reduce operating costs as needed and appropriate; and
- Cash flow forecast, which incorporate expected additional capital injections, for the 12 months from the date of issue of these financial statements project that the Group will be able to operate as usual.

The directors are of the opinion that the Group will continue to obtain additional capital when business requires and accordingly have prepared the financial statements on a going concern basis.

In the unlikely scenario that the Group is not able to obtain additional capital as and when required, there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in these financial statements.

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2018. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

### Comparatives

Comparatives in the statement of profit or loss and other comprehensive income and statement of financial position have been realigned with the current period presentation. There has been no effect on the loss for the comparative year or net assets of the Group.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').



## Note 1. Significant accounting policies (continued)

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies in this note. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASF Group Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Note 1. Significant accounting policies (continued)

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Commission revenue*

Commission revenue from the sale of properties is recognised when a contract is exchanged and settlement has taken place.

#### *Fund management and advisory services*

Revenue from fund management and advisory services is recognised in the accounting period in which the services are rendered.

#### *Corporate services*

Revenue from corporate services is recognised in the accounting period in which the services are rendered.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Marketing fees and rental income*

Revenue from marketing services and management of rental properties is recognised in the accounting period in which the services are rendered.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

## Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

ASF Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

## Note 1. Significant accounting policies (continued)

### Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis over the useful lives to the consolidated entity commencing from the time the assets is held ready for use. The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	25% - 37.5%
Leasehold improvements	37.5%
Motor vehicles	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

## Note 1. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### *Exploration and evaluation expenditure*

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where: it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence, or otherwise, of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning.



## Note 1. Significant accounting policies (continued)

### *Capitalised project costs*

Capitalised project costs represent costs incurred in relation to the planning and feasibility of the proposed development of an integrated Marine Project at the Broadwater ('Gold Coast Integrated Resort').

Expenditure incurred on the project is carried as an asset in the statement of financial position where it is expected that the expenditure will be recovered through successful development and future use. Capitalised project costs were fully impaired during the previous year.

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a non-controlling interest reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Note 1. Significant accounting policies (continued)

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of ASF Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

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



## Note 1. Significant accounting policies (continued)

### Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group expects to adopt this standard from 1 July 2018 and the adoption of this standard is not expected to have a material impact for the Group.

#### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018, using the modified cumulative method on the date of initial application which will not require the standard to be applied to the comparative period presented. The impact assessment of this standard is substantially complete and based on the work performed to the date of this report, no material impact is expected on the financial statements of the Group from adopting this standard.

## Note 1. Significant accounting policies (continued)

### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group expects to adopt this standard from 1 July 2019 and the impact of its adoption will be that operating leases, such as those detailed in note 27, will be brought onto the statement of financial position at the present value with a corresponding liability. The actual amount will depend on the operating leases held on the date of adoption and any transitional elections made.

### *IASB revised Conceptual Framework for Financial Reporting*

The revised Conceptual Framework has been issued by the IASB, but the Australian equivalent is yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accountings standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

## Note 2. Critical 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

### *Intangibles - mining exploration and evaluation expenditures*

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

### *Impairment of investments in associates*

The Group makes significant judgements about the impairment of a number of its investments in associates. The Group follows the guidance in AASB 136 'Impairment of Assets' to determine when an investment is impaired or when a previously recognised impairment is reversed. This determination requires significant judgement. In making this judgement the Group evaluates the outlook of the investee, including factors such as industry performance and the prospective potential of underlying exploration and evaluation assets.

### *Investments in associates accounted for using the equity method where voting rights below 20%*

Management has determined that the Group has significant influence over its investments in Rey Resources Limited, ActivEX Limited and Key Petroleum Ltd, and that such investees should be treated as associates that are therefore equity accounted pursuant to AASB 128 Investments in Associates and Joint Ventures despite the Group's interest in voting rights in each investee being less than 20%. This judgement has been made having regard to the Group's substantial shareholding in each investee approaching 20% combined with the fact that 2 directors of the company are also directors of the respective investee. The Group also uses its judgement in assessing the timing of when significant influence changes and therefore when an investment either becomes an associate or ceases to be an associate.

## Note 3. Operating segments

### *Identification of reportable operating segments*

The Group's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Group operates in only one segment, being an investment and trading house. The segment result is as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for assets and liabilities.

## Note 4. Revenue

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Sales revenue</i>		
Commission revenue	653	509
Corporate services	342	338
Marketing fees	200	-
Rental income	107	-
	<u>1,302</u>	<u>847</u>
<i>Other revenue</i>		
Interest	<u>191</u>	<u>30</u>
Revenue	<u><u>1,493</u></u>	<u><u>877</u></u>

## Note 5. Other income

	Consolidated	
	2018	2017
	\$'000	\$'000
Net fair value gain on other financial assets	-	42
Net gain on disposal of investments	-	1,094
Reversal of impairment in equity accounted investments	4,312	3,426
Funds received on conclusion of the procurement process of Gold Coast Integrated Resort project	9,082	-
	<u>13,394</u>	<u>4,562</u>
Other income	<u>13,394</u>	<u>4,562</u>

## Note 6. Expenses

	Consolidated	
	2018	2017
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	74	114
Plant and equipment	41	49
Motor vehicles	6	8
Total depreciation	<u>121</u>	<u>171</u>
<i>Impairment of assets</i>		
Mining exploration and evaluation expenditures	1,655	1,392
Capitalised project costs	-	12,085
Bad debts	5	32
Impairment of loan to ActivEX Limited	735	-
Impairment of loan to Rey Resources Limited	2,042	-
Total impairment of assets	<u>4,437</u>	<u>13,509</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>2,005</u>	<u>1,863</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>1,281</u>	<u>1,203</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>118</u>	<u>121</u>

## Note 7. Income tax expense

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(923)	(19,923)
Tax at the statutory tax rate of 27.5%	(254)	(5,479)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	2	2
Legal expenses	(2)	4
Impairment of assets	-	3,395
Share of loss - associates	144	87
Impairment of loans	765	-
Reversal of impairment of investment	(1,104)	-
Write off of capitalised project costs*	(4,384)	-
Other adjustments	1,527	619
	(3,306)	(1,372)
Current year tax losses not recognised	3,306	1,372
Income tax expense	-	-

\*Whilst the project was fully impaired in the financial year ended 30 June 2017, actual write-off occurred in this financial year and as such it was included for tax purposes this year.

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	45,029	33,008
Potential tax benefit @ 27.5%	12,383	9,077

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

## Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2018 \$'000	2017 \$'000
Cash on hand and at bank	4,585	17,669

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	4	24
Other receivables	172	1,224
Loan receivable from associates - ActivEX Limited	705	-
Less: Provision for impairment of receivables	(705)	-
	<u>172</u>	<u>1,224</u>
	<u>176</u>	<u>1,248</u>

The Group has recognised a loss of \$705,000 in profit or loss in respect of impairment of loan receivables for the year ended 30 June 2018 (2017: bad debt of \$32,000).

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Additional provisions recognised	<u>705</u>	<u>-</u>

*Loan receivable from associate*

On 14 November 2017, the Group entered into a loan facility agreement with its associate, ActivEX Limited (ASX: AIV). Pursuant to the agreement the Group will provide up to \$1 million in standby funding for AIV's exploration activities and general working capital. Interest will accrue at 12% per annum. Repayment of the loan facility is due on 13 November 2018, or earlier at the Group's election upon 3 months' notice to AIV. Subsequent to the year end, the loan facility was increased to \$2,000,000 and the maturity date extended to 31 December 2019.

**Note 10. Current assets - other**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	102	33
Other current assets	<u>1</u>	<u>1</u>
	<u>103</u>	<u>34</u>

**Note 11. Non-current assets - Other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits	424	394
Loan receivable from associates - Rey Resources Limited	2,042	-
Less: Provision for impairment of receivables	<u>(2,042)</u>	<u>-</u>
	<u>424</u>	<u>394</u>

**Note 11. Non-current assets - Other receivables (continued)**

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Additional provisions recognised	2,042	-

*Loan receivable from associate*

On 12 October 2017, the Group entered into a loan facility agreement with its associate, Rey Resources Limited (ASX: REY). Pursuant to the agreement the Group will provide up to \$1 million in standby funding for REY's exploration activities and general working capital for a term of one year. Interest will accrue at 12% per annum. The loan facility was subsequently increased to \$2.5 million and the maturity date extended to 31 December 2019.

**Note 12. Non-current assets - investments accounted for using the equity method**

	Consolidated	
	2018	2017
	\$'000	\$'000
Rey Resources Limited (ASX: REY)	11,074	6,933
ActivEX Limited (ASX: AIV)	1,568	1,696
Key Petroleum Ltd (ASX: KEY)	1,747	1,969
	14,389	10,598

Refer to note 31 for further information on interests in associates.

**Note 13. Non-current assets - property, plant and equipment**

	Consolidated	
	2018	2017
	\$'000	\$'000
Leasehold improvements - at cost	611	611
Less: Accumulated depreciation	(488)	(414)
	123	197
Plant and equipment - at cost	418	398
Less: Accumulated depreciation	(306)	(264)
	112	134
Motor vehicles - at cost	48	48
Less: Accumulated depreciation	(23)	(17)
	25	31
	260	362



### Note 13. Non-current assets - property, plant and equipment (continued)

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2016	299	164	39	502
Additions	11	20	-	31
Exchange differences	1	(1)	-	-
Depreciation expense	(114)	(49)	(8)	(171)
Balance at 30 June 2017	197	134	31	362
Additions	-	18	-	18
Exchange differences	-	1	-	1
Depreciation expense	(74)	(41)	(6)	(121)
Balance at 30 June 2018	123	112	25	260

### Note 14. Non-current assets - intangibles

	Consolidated	
	2018 \$'000	2017 \$'000
Mining exploration and evaluation expenditures - at cost	3,163	4,281

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Mining exploration and evaluation expenditures \$'000	Capitalised project costs \$'000	Total \$'000
Balance at 1 July 2016	5,088	10,551	15,639
Additions	585	1,534	2,119
Write-off of assets	(1,392)	(12,085)	(13,477)
Balance at 30 June 2017	4,281	-	4,281
Additions	537	-	537
Write-off of assets	(1,655)	-	(1,655)
Balance at 30 June 2018	3,163	-	3,163

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	120	582
Interest payable	896	166
Other payables	502	448
	<u>1,518</u>	<u>1,196</u>

Refer to note 22 for further information on financial instruments.

**Note 16. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	98	104

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

**Note 17. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Convertible notes payable	6,000	-
Loan payable	20	20
Other loans	105	-
	<u>6,125</u>	<u>20</u>

Refer to note 22 for further information on financial instruments.

*Convertible notes payable*

In April 2015, the company issued a \$6,000,000 unsecured convertible note ('OAIL Note') to Oceanic Alliance Investments Limited ('OAIL') which carried interest at the rate of 5% per annum with the maturity date of 2 April 2017. On 30 March 2017, the OAIL Note was extended by 3 months and the interest rate was increased from 5% to 10%. On 13 June 2017, the company and OAIL agreed to amend the terms of the OAIL Note, pursuant to which the maturity date was further extended to 1 March 2019 and, other than conversion in the company's shares, the OAIL Note can be converted into shares of any of the company's subsidiaries at a mutually agreed price. The OAIL Note has been fully drawn down.

**Note 18. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Convertible notes payable	11,896	28,676

Refer to note 22 for further information on financial instruments.

## Note 18. Non-current liabilities - borrowings (continued)

### Convertible notes

The company is party to the following convertible notes:

On 28 August 2015, the company issued unsecured convertible notes to a series of sophisticated investors for an aggregate amount of \$7,500,000 ('\$7.5M Notes') which carried interest at the rate of 5% per annum with maturity date of 31 December 2016. On 25 December 2015, the company entered into Deeds of Amendment and Restatement with respective holders of the \$7.5M Notes pursuant to which the interest rate was changed to 8%. On 2 June 2016, the company issued a further \$2,500,000 of convertible notes (together with the \$7.5M Notes, the '\$10M Notes') which bear the same terms as the \$7.5M Notes. In November 2017, the company repaid in full the \$10M Notes together with accrued interest by cash.

On 15 September 2016, the company entered into a convertible loan agreement with Star Diamond Developments Limited ('Star Diamond') pursuant to which Star Diamond granted a convertible loan facility of \$5,000,000 to the company at an interest rate of 10% with the maturity date of 31 December 2018 which has been subsequently extended to 31 October 2020. The facility has been fully drawn down.

On 21 March 2017, the company entered into a convertible loan agreement with Star Diamond pursuant to which Star Diamond granted a convertible loan facility of \$10,000,000 to the company at an interest rate of 10% with the maturity date of 30 June 2018. The loan facility was subsequently increased to \$15,000,000 and the maturity date extended to 31 October 2020. Interest is payable in cash on a quarterly basis. The company may, at its sole discretion, repay the outstanding loan and interest by either one or combination of (i) the issue of shares in the company's subsidiaries or (ii) the transfer of securities held by the company or its subsidiaries; or (iii) cash. An amount of \$6,000,000 has been drawn down at 30 June 2018.

## Note 19. Equity - issued capital

	2018 Shares	Consolidated 2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares - fully paid	677,395,157	678,517,825	113,463	113,657

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2016	603,671,843		101,703
Issuance of shares	28 June 2017	75,323,813	\$0.160	12,052
Share buy-back	1 July 2016 - 30 June 2017	(477,831)	\$0.205	(98)
Balance	30 June 2017	678,517,825		113,657
Share buy-back	1 July 2017 - 30 June 2018	(1,122,668)	\$0.172	(193)
Cost of share buy-back		-	\$0.000	(1)
Balance	30 June 2018	677,395,157		113,463

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

## Note 19. Equity - issued capital (continued)

### Share buy-back

During the year, the company spent \$194,000 on share buy-backs. The buy-back program was extended for 12 months to 22 May 2019.

### Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is actively pursuing additional investments as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

## Note 20. Equity - reserves

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency reserve	188	218
Non-controlling interests reserve	(965)	(965)
	<u>(777)</u>	<u>(747)</u>

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

### Non-controlling interest reserve

The reserve is used to recognise non-controlling interest arising from the disposal of subsidiaries and to recognise the equity component within convertible notes payable and other borrowings.

	<b>Foreign currency reserve \$'000</b>	<b>Non- controlling interest reserve \$'000</b>	<b>Total \$'000</b>
<b>Consolidated</b>			
Balance at 1 July 2016	132	(965)	(833)
Foreign currency translation	86	-	86
Balance at 30 June 2017	218	(965)	(747)
Foreign currency translation	(30)	-	(30)
Balance at 30 June 2018	<u>188</u>	<u>(965)</u>	<u>(777)</u>

## Note 21. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 22. Financial instruments

### *Financial risk management objectives*

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

### *Market risk*

#### *Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. However, the foreign currency exposure is limited due to the size of transactions in currencies that is not the entity's functional currency.

#### *Price risk*

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's exposure to market price risk arises from its investments in shares in listed corporations which are subject to significant risk of changes in value from changing market prices. The risk is monitored and managed by having appropriate investment strategies in place.

Equity investments are publicly traded on the Australian Securities Exchange (ASX). If there was a 10% increase or decrease in the share price of Kaili Resources Limited (ASX: KLR), with all other variables held constant, the Group's profit before tax would have been \$8,000 higher/ \$8,000 lower (2017: \$10,000 higher/ \$10,000 lower). The percentage change is the expected overall volatility of the investments, which is based on management's assessment of reasonable possible fluctuations.

#### *Interest rate risk*

The Group's main interest rate risk arises from borrowings comprising convertible notes and loan payable and cash at bank.

Due to the short term nature of the borrowings and fixed interest rate the Group's exposure to interest rate risk is limited to interest on cash at bank.

An official increase/decrease in interest rates of 50 (2017: 50) basis points would have a favourable/adverse effect on profit before tax of \$23,000 (2017: \$88,000) per annum.

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

## Note 22. Financial instruments (continued)

### Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	120	-	-	-	120
Other payables	-	502	-	-	-	502
Loan payable	-	20	-	-	-	20
Other loan	-	105	-	-	-	105
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	10.00%	7,751	603	13,271	-	21,625
Total non-derivatives		8,498	603	13,271	-	22,372
 <b>Consolidated - 2017</b>						
Consolidated - 2017	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	582	-	-	-	582
Other payables	-	448	-	-	-	448
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	9.26%	766	32,242	-	-	33,008
Loan payable	-	20	-	-	-	20
Total non-derivatives		1,816	32,242	-	-	34,058

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 23. Fair value measurement

### Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated - 2018</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments at fair value through profit or loss	79	-	-	79
Total assets	79	-	-	79

<b>Consolidated - 2017</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments at fair value through profit or loss	99	-	-	99
Total assets	99	-	-	99

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## Note 24. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,636,178	1,684,034
Post-employment benefits	43,231	63,244
Long-term benefits	4,251	4,193
	<u>1,683,660</u>	<u>1,751,471</u>



## Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the company, and unrelated firms:

	Consolidated	
	2018	2017
	\$	\$
<i>Audit services - Grant Thornton</i>		
Audit or review of the financial statements	230,091	229,484
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	15,001	16,276
<i>Other services - unrelated firms</i>		
Tax compliance service	9,535	10,314
	<u>24,536</u>	<u>26,590</u>

## Note 26. Contingencies

The Group has given bank guarantees as at 30 June 2018 of \$212,000 (30 June 2017: \$190,000).

## Note 27. Commitments

	Consolidated	
	2018	2017
	\$'000	\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,057	857
One to five years	1,476	1,282
	<u>2,533</u>	<u>2,139</u>
<i>Capital commitments - Exploration and evaluation</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,045	2,926
One to five years	675	2,488
	<u>1,720</u>	<u>5,414</u>

Operating lease commitments includes contracted amounts for commercial leases under non-cancellable operating leases expiring within one to three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Capital commitments relate to minimum annual expenditure required to be incurred by the Group under exploration licenses for tenements in Queensland.

## Note 28. Related party transactions

### Parent entity

ASF Group Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 30.

## Note 28. Related party transactions (continued)

### Associates

Interests in associates are set out in note 31.

### Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2018 \$	2017 \$
Sale of goods and services:		
Corporate service fee paid by associates	219,600	219,600
Share placement and advisory fees paid by associates	60,000	-
Payment for other expenses:		
Rent paid to SPC Investments Pty Ltd, an entity in which Ms Min Yang has a beneficial interest	252,665	216,909

### Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2018 \$	2017 \$
Current payables:		
Trade payables to Gold Star Industry Limited - a director related entity of Geoff Baker	21,056	29,813
Trade payables to SPC Investments Pty Ltd - a director related entity of Min Yang	-	2,946

### Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2018 \$	2017 \$
Current receivables:		
Loan to associate*	705,000	-
Non-current receivables:		
Loan to associate*	2,041,717	-
Rental deposit paid to Louis Li Chien's apartment	3,280	3,280

\* At 30 June 2018 the Group has recognised provision for impairment of \$2,746,717 towards the loan receivable from ActivEX Limited and Rey Resources Limited.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

### *Statement of profit or loss and other comprehensive income*

	Parent	
	2018 \$'000	2017 \$'000
Loss after income tax	(4,926)	(17,033)
Total comprehensive income	(4,926)	(17,033)

### *Statement of financial position*

	Parent	
	2018 \$'000	2017 \$'000
Total current assets	3,230	27,559
Total assets	19,953	35,124
Total current liabilities	8,682	1,953
Total liabilities	20,578	30,629
Equity		
Issued capital	113,463	113,657
Non-controlling interests reserve	314	314
Accumulated losses	(114,402)	(109,476)
Total (deficiency)/equity	(625)	4,495

### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017.

### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

### Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
ASF Canning Basin Energy Pty Ltd	Australia	100%	100%
ASF Canning Pty Ltd	Australia	100%	100%
ASF China Holdings Limited	British Virgin Islands	100%	100%
ASF Coal Pty Ltd	Australia	100%	100%
ASF Consortium Pty Ltd	Australia	100%	100%
ASF Copper Pty Ltd	Australia	100%	100%
ASF Corporate Pty Ltd	Australia	100%	100%
ASF Energy Pty Ltd	Australia	100%	100%
ASF Gold and Copper Pty Ltd	Australia	100%	100%
ASF (Hong Kong) Ltd	Hong Kong	100%	100%
ASF Infrastructure Group Pty Ltd	Australia	100%	100%
ASF Metals Pty Ltd	Australia	100%	100%
ASF Oil and Gas Holdings Pty Ltd	Australia	100%	100%
ASF Properties Pty Ltd	Australia	100%	100%
ASF Resources (WA) Pty Ltd	Australia	100%	100%
ASF Technologies Ltd	Hong Kong	100%	100%
Aushome China Pty Ltd	Australia	100%	100%
Austin Resources Pty Ltd	Australia	100%	100%
Basin Coal Pty Ltd	Australia	100%	100%
Victory Coal Pty Ltd	Australia	100%	100%
ASF Resources Ltd	Australia	100%	100%
BSF International Ltd (formerly ASF European Holdings Ltd)	United Kingdom	100%	100%
ASF Global Integrated Resort Holdings Ltd	Hong Kong	100%	100%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Principal activities	Parent Ownership interest		Non-controlling interest Ownership interest	
			2018 %	2017 %	2018 %	2017 %
ASF Capital Pty Ltd	Australia	Fund management and advisory	60%	60%	40%	40%
ASF Capital Investment Fund*		Fund management and advisory	60%	60%	40%	40%
ASF Capital Secure Fund*	Australia	Fund management and advisory	60%	60%	40%	40%
ASF Venture Fund*	Australia	Fund management and advisory	60%	60%	40%	40%
Civil and Mining Resources Pty Ltd	Australia	Exploration	69%	69%	31%	31%
GCPM Pty Ltd	Australia	Property Management	51%	-	49%	-
Dawson West Coal Pty Ltd	Australia	Exploration	69%	69%	31%	31%
ASF Investment Company Limited**	Hong Kong	Dormant	-	51%	-	49%

**Note 30. Interests in subsidiaries (continued)**

\* Wholly owned Fund established by ASF Capital Pty Ltd.

\*\* De-registered on 25 August 2017.

*Summarised financial information*

Summarised financial information of subsidiaries with non-controlling interests that are material to the Group are set out below:

	<b>ASF Capital Pty Ltd</b>		<b>Civil and Mining Resources Pty Ltd</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Summarised statement of financial position</i>				
Current assets	291	442	23	19
Non-current assets	-	-	2,023	3,112
Total assets	291	442	2,046	3,131
Current liabilities	19	68	4,453	3,194
Total liabilities	19	68	4,453	3,194
Net assets/(liabilities)	272	374	(2,407)	(63)
<i>Summarised statement of profit or loss and other comprehensive income</i>				
Revenue	60	-	42	-
Expenses	(163)	(212)	(2,387)	(979)
Loss before income tax expense	(103)	(212)	(2,345)	(979)
Income tax expense	-	-	-	-
Loss after income tax expense	(103)	(212)	(2,345)	(979)
Other comprehensive income	-	-	-	-
Total comprehensive income	(103)	(212)	(2,345)	(979)
<i>Statement of cash flows</i>				
Net cash used in operating activities	(92)	(156)	(846)	(838)
Net cash used in investing activities	-	-	(31)	(4)
Net cash (used in)/from financing activities	(40)	575	890	840
Net (decrease)/increase in cash and cash equivalents	(132)	419	13	(2)
<i>Other financial information</i>				
Loss attributable to non-controlling interests	(42)	(85)	(727)	(304)
Accumulated non-controlling interests at the end of reporting period	222	264	(2,570)	(1,843)

### Note 31. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
China Coal Resources Pty Ltd (1)	Australia	25.00%	25.00%
Key Petroleum Ltd (2)	Australia	16.41%	19.27%
Rey Resources Limited (3)	Australia	16.32%	16.31%
ActivEX Limited (4)	Australia	19.62%	19.62%
ASF Macau Multinational Holdings Ltd (1)	British Virgin Islands	40.00%	40.00%

(1) Investment in this entity has been fully impaired.

(2) Strategic investment for the Group, entity involved in oil and gas operations.

(3) Strategic investment for the Group, entity involved in exploring and developing energy resources.

(4) Strategic investment for the Group, entity involved in mineral exploration targeting copper-gold and gold mineralisation.

**Note 31. Interests in associates (continued)**

*Summarised financial information (audited information provided by the Associates)*

	<b>Key Petroleum Ltd</b>		<b>Rey Resources Limited</b>		<b>ActivEX Limited</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Summarised statement of financial position</i>						
Current assets - cash and cash equivalents	1,387	1,127	36	590	49	909
Current assets - others	29	55	36	36	71	102
Non-current assets	2,645	4,945	41,993	37,520	9,521	8,729
<b>Total assets</b>	<b>4,061</b>	<b>6,127</b>	<b>42,065</b>	<b>38,146</b>	<b>9,641</b>	<b>9,740</b>
Current liabilities - others	363	212	2,702	614	781	231
Non-current liabilities - others	31	2,867	2,900	-	-	-
<b>Total liabilities</b>	<b>394</b>	<b>3,079</b>	<b>5,602</b>	<b>614</b>	<b>781</b>	<b>231</b>
<b>Net assets</b>	<b>3,667</b>	<b>3,048</b>	<b>36,463</b>	<b>37,532</b>	<b>8,860</b>	<b>9,509</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>						
Revenue	255	39	11	104	5	2
Interest income	14	19	1	3	3	22
Depreciation and amortisation	(35)	(37)	(5)	(3)	(24)	(38)
Expenses	(1,490)	(1,166)	(1,056)	(663)	(633)	(1,143)
<b>Loss before income tax</b>	<b>(1,256)</b>	<b>(1,145)</b>	<b>(1,049)</b>	<b>(559)</b>	<b>(649)</b>	<b>(1,157)</b>
Other comprehensive income	(4)	-	-	-	-	-
<b>Total comprehensive income</b>	<b>(1,260)</b>	<b>(1,145)</b>	<b>(1,049)</b>	<b>(559)</b>	<b>(649)</b>	<b>(1,157)</b>
<i>Reconciliation of the Group's carrying amount</i>						
Opening carrying amount	1,969	2,070	6,933	5,027	1,696	1,368
Share of loss after income tax	(222)	(101)	(171)	(93)	(128)	(122)
Reversal of impairment	-	-	4,312	1,999	-	100
Additions in Associate	-	-	-	-	-	350
<b>Closing carrying amount</b>	<b>1,747</b>	<b>1,969</b>	<b>11,074</b>	<b>6,933</b>	<b>1,568</b>	<b>1,696</b>
<b>Quoted fair value</b>	<b>1,990</b>	<b>2,875</b>	<b>11,093</b>	<b>6,933</b>	<b>4,172</b>	<b>6,954</b>

*Contingent liabilities*

Contingent liabilities as at 30 June 2018 Nil (30 June 2017: Nil)

*Commitments*

Share of commitments but not recognised as liability as at 30 June 2018 Nil (30 June 2017: Nil)



## Note 32. Earnings per share

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(923)	(19,923)
Non-controlling interest	292	393
Loss after income tax attributable to the owners of ASF Group Limited	<u>(631)</u>	<u>(19,530)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	677,871,061	604,045,958
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>677,871,061</u>	<u>604,045,958</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.09)	(3.23)
Diluted earnings per share	(0.09)	(3.23)

## Note 33. Cash flow information

### *Reconciliation of loss after income tax to net cash used in operating activities*

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax expense for the year	(923)	(19,923)
Adjustments for:		
Depreciation and amortisation	121	171
Impairment of intangibles	1,655	-
Share of loss - associates	521	316
Impairment of loan receivables	2,747	-
Impairment of intangible assets	-	13,477
Impairment (reversal)/loss of investment in associates	(4,312)	(3,426)
Funds received on conclusion of GCIR procurement process	(9,082)	-
Non-cash transactions - finance cost	-	1,254
Foreign exchange differences	-	2
Bad debts	33	32
Net fair value loss/(gain) on investments	20	(42)
Profit on disposal of investment	-	(1,094)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(164)	(554)
Decrease in trade and other payables	(412)	(437)
Decrease in other operating liabilities	(50)	-
Net cash used in operating activities	<u>(9,846)</u>	<u>(10,224)</u>

**Note 33. Cash flow information (continued)**

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	Convertible notes \$'000	Loan payable \$'000	Other loans \$'000	Total \$'000
Balance at 1 July 2016	16,588	20	-	16,608
Net cash from financing activities	11,000	-	-	11,000
Interest payable	1,088	-	-	1,088
Balance at 30 June 2017	28,676	20	-	28,696
Net cash (used in)/from financing activities	(10,000)	-	105	(9,895)
Interest paid	(780)	-	-	(780)
Balance at 30 June 2018	17,896	20	105	18,021

**Note 34. Events after the reporting period**

On 18 July 2018, the Company announced that it has agreed to extend the facility limit granted to Rey Resources Limited to \$2,500,000.

On 24 September 2018, the Company announced that it has agreed to extend the facility limit granted to ActivEx Limited to \$2,000,000 and also extend the maturity date to 31 December 2019.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- 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 directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Min Yang", with a stylized flourish at the end.

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Min Yang  
Chairman

28 September 2018  
Sydney

# Independent Auditor's Report

## To the Members of ASF Group Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of ASF Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; 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 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 1 in the financial statements, which indicates that the Group's current liabilities exceeded its current assets by \$2,877,000 and that the Group incurred an operating cash flow deficit of \$9,846,000 for the year. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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 matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Intangibles - Exploration and Evaluation Expenditure (Note 14)</b>  <p>The Group recognises capitalised exploration and evaluation expenditure in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> <p>As at 30 June 2018, exploration and evaluation assets amount to \$3,163,000. During the year, the Group capitalised \$537,000 of costs to exploration and evaluation assets in relation to different areas of interest. The Group also impaired \$1,655,000 of costs in relation to tenements whose rights expire in the next 12 months and for which insufficient expenditure has been planned.</p> <p>This is a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to the evaluation for any impairment indicators, in accordance with AASB 6 - <i>Exploration for and Evaluation of Mineral Resources</i>.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining from management a reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;</li> <li>• reviewing management's areas of interest considerations against AASB 6;</li> <li>• confirming whether the rights to tenure of the areas of interest remained current at balance date;</li> <li>• obtaining an understanding of the status of ongoing exploration programmes for the respective areas of interest;</li> <li>• obtaining evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure;</li> <li>• understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets is unlikely to be recovered through development or sale; and</li> <li>• assessing the appropriateness of the related disclosures within the financial statements.</li> </ul>
<b>Investments accounted for using the equity method (Note 12)</b>  <p>As at 30 June 2018, the Group has investments in three listed entities which amount to \$14,434,000. These investments are recognised in accordance with AASB 128 <i>Investments in Associates and Joint Ventures</i>.</p> <p>AASB 128 requires management to assess their level of influence over the investments and thus determine the appropriate accounting classification. It also requires management to recognise their share of the profits/losses and to assess investments for indicators of impairment at each reporting date.</p> <p>This is a key audit matter due to the risk that the share of the profit/loss of the associate is incorrectly recognised in the financial statements of the Group and the risk that these listed investments are impaired.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining and reviewing management's assessment regarding the appropriate classification of investments;</li> <li>• obtaining supporting information regarding the Group's ownership of investments;</li> <li>• reviewing management's calculations of their share of the profit/loss of the investments accounted for using the equity method;</li> <li>• instructing the component auditors of the associates to perform targeted procedures to ensure the Group has correctly recognised its share of profits/losses for the year;</li> <li>• considering management's impairment assessment of investments accounted for using the equity method; and</li> <li>• assessing the appropriateness of the related disclosures within the financial statements.</li> </ul>

### **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 30 June 2018, 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 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of ASF Group Limited, for the year ended 30 June 2018 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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



N P Smietana  
Partner – Audit & Assurance

Sydney, 28 September 2018



The shareholder information set out below was applicable as at 20 September 2018.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,362	-
1,001 to 5,000	1,012	-
5,001 to 10,000	344	-
10,001 to 100,000	382	-
100,001 and over	91	-
	<b>3,191</b>	<b>-</b>
Holding less than a marketable parcel	<b>2,122</b>	<b>-</b>

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
FY HOLDINGS LIMITED	86,914,266	12.83
SUN HUNG KAI INVESTMENT SERVICES LTD (CLIENTS A/C)	76,346,988	11.27
XIN ZHANG	46,000,000	6.79
WAI SANG HO	44,620,770	6.59
BETTER FUTURE CAPITAL INVESTMENT LIMITED	33,562,500	4.96
FOREVER GRAND GROUP LIMITED	32,656,615	4.82
XING MAO LIMITED	31,038,957	4.58
MR JIARONG HE	30,875,202	4.56
MR ZHEN LI	29,124,153	4.30
WELL SMART CAPITAL HOLDINGS (BVI 1557182)	27,275,000	4.03
JADE SILVER INVESTMENTS LIMITED	26,386,276	3.90
RISING GAIN HOLDINGS LIMITED	20,214,563	2.98
GLORY RESOURCES INTERNATIONAL INVESTMENT LIMITED	18,562,500	2.74
NGA FONG LAO	18,026,525	2.66
WISEPLAN HOLDINGS LTD	17,297,777	2.55
JIANYING WANG	13,636,364	2.01
RUITONG WANG	12,186,318	1.80
MR JIANZHONG YANG	10,000,000	1.48
GOLD STAR INDUSTRY LIMITED	7,734,517	1.14
MR YIMING DU & MS LI CHEN	5,625,000	0.83
	<b>588,084,291</b>	<b>86.82</b>

#### Unquoted equity securities

There are no unquoted equity securities.

### Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	% of total	
	Number held	shares issued
FY HOLDINGS LIMITED	86,914,266	12.83
SUN HUNG KAI INVESTMENT SERVICES LTD (CLIENTS A/C)	76,346,988	11.27
XIN ZHANG	46,000,000	6.79
WAI SANG HO	44,620,770	6.59

### Voting rights

The voting rights attached to ordinary shares are set out below:

#### *Ordinary shares*

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

There are no other classes of equity securities.

Directors	<p>Ms Min Yang - Chairman  Mr Nga Fong (Alex) Lao  Mr Quan (David) Fang  Mr Wai Sang Ho  Mr Geoff Baker  Mr Chi Yuen (William) Kuan  Mr Louis Li Chien</p>
Company secretary	Mr Chi Yuen (William) Kuan
Registered office	<p>Suite 2, 3B Macquarie Street  Sydney NSW 2000  Telephone: 02 9251 9088 Facsimile: 02 9251 9066</p>
Principal place of business	<p>Suite 2, 3B Macquarie Street  Sydney NSW 2000  Telephone: 02 9251 9088 Facsimile: 02 9251 9066</p>
Share register	<p>Boardroom Pty Limited  Level 12, 225 George Street  Sydney NSW 2000  Telephone: 02 9290 9600 Facsimile: 02 9279 0664</p>
Auditor	<p>Grant Thornton  Level 17 383 Kent Street  Sydney NSW 2000</p>
Solicitors	<p>Thomson Geer Lawyers  Level 25 1 O'Connell Street, Sydney NSW 2000  Clayton Utz  Level 15, 1 Bligh Street, Sydney NSW 2000</p>
Bankers	<p>Commonwealth Bank of Australia  48 Martin Place, Sydney NSW 2000  Bank of China Limited, Sydney Branch  39-41 York Street, Sydney NSW 2000</p>
Stock exchange listing	ASF Group Limited shares are listed on the Australian Securities Exchange (ASX code: AFA)
Website	<a href="http://www.asfgroupltd.com">www.asfgroupltd.com</a>
Corporate governance statement	The corporate governance statement was approved at the same time as the annual report and can be found at <a href="http://www.asfgroupltd.com/investor-centre/corporate-governance-statement/">http://www.asfgroupltd.com/investor-centre/corporate-governance-statement/</a>

Appendix 4E for the Group released on 30 August 2018 included unaudited financial statements. Subsequent to the release of the Appendix 4E, the following adjustments were recorded:

- (i) The Group has recently received an audited financial statement from Key Petroleum Limited ('KEY'), an associate of the Group, which incurred a loss of \$1.26 million (audited) for the year ended 30 June 2018. Consequently, share of loss in KEY has increased by \$45,000, compared with Appendix 4E; and
- (ii) Additional impairment provision is made on loan to Rey Resources Limited ('REY') of \$2,042,000.

Reconciliation of loss for the year attributable to the owners of ASF Group Limited:	<u>\$'000</u>
Profit per Appendix 4E	1,456
Additional share of loss in KEY	(45)
Provision for impairment of loan to REY	<u>(2,042)</u>
Loss as per the Annual Report attributable to the owners of ASF Group Limited at 30 June 2018	<u><u>(631)</u></u>