ASF Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	ASF Group Limited
ABN:	50 008 924 570
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			$'000
Revenues from ordinary activities	up	12.8% to	608
Loss from ordinary activities after tax attributable to the owners of ASF Group Limited	up	226.2% to	8,793
Loss for the half-year attributable to the owners of ASF Group Limited	up	226.2% to	8,793

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax and non-controlling interest amounted to $8,793,000 (31 December 2017: profit of $6,970,000).

Refer to 'Review of operations' in the Directors' report for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(7.46)	1.02

4. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period	Previous period	Reporting period	Previous period
Name of associate / joint venture	**%**	**%**	**$'000**	**$'000**
China Coal Resources Pty Ltd	0.00%	25.00%	-	-
Rey Resources Limited	16.32%	16.32%	(125)	(67)
ActivEx Limited	19.62%	19.62%	(54)	(72)
Key Petroleum Ltd	15.71%	17.73%	(14)	(68)
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			(193)	(207)

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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6. Attachments

Details of attachments (if any):

The Interim Report of ASF Group Limited for the half-year ended 31 December 2018 is attached.

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7. Signed

Signed __________________
Date: 28 February 2019

Min Yang
Chairman

ASF Group Limited

ABN 50 008 924 570

Interim Report - 31 December 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 half-year ended 31 December 2018.

Directors

The following persons were directors of ASF Group Limited during the whole of the financial half-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

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.

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to $8,793,000 (31 December 2017: profit of $6,970,000).

Financial results and commentary

For the six months ended 31 December 2018, ASF Group Limited (‘the Company’) and its controlled entities (referred to hereafter as the ‘Group’) recorded a consolidated loss after tax and non-controlling interest of $8,793,000, compared with a profit of $6,970,000 for the corresponding period last year.

The Group’s results for the period were negatively affected by the downturn of the financial market. For the period ended 31 December 2018, the Group recorded an impairment on listed investments of $2,910,000 due to the decline in share prices. Loss for the period was also attributed by the following:

- Provision for impairment of loans to associated companies of $1,446,000;
- Write off of tenement assets of $38,000;
- Share of losses of associates of $193,000; and
- Interest expenses and other finance costs $1,010,000.

Revenue from continuing operations for the period was $608,000 (2017: $539,000). Sales and marketing of Hope Island continued to provide revenue contribution to the Group. Commission revenue from the project amounted to $220,000 (2017: $367,000) for the period. 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.

Financial position

In October 2018, the Company announced that ASF Technologies Ltd ('ASFT') had entered into a Framework Agreement with Crystal Profit Ventures Limited ('CPV') pursuant to which CPV agreed to grant a loan facility of up to A$8 million ('CPV Loan') to ASFT of which 50% of the CPV Loan could be converted into issued capital of ASFT. On 23 November 2018, the Company further announced that ASFT had drawn down a total of A$4 million which had immediately been converted into 40% of the issued share capital of ASFT.

With the continuing support from Star Diamond Developments Limited ('Star Diamond'), the Company had on 29 December 2017 entered into a Deed of Amendment with Star Diamond for the increase of convertible loan facilities ('SD Facilities') by $5 million to a total of $20 million and a further extension of the maturity date to 31 October 2020. As at the date of this report, $15 million of SD Facilities had been drawn down by the Company.

Subsequent to the financial period ended 31 December 2018, the Company announced a non-underwritten share purchase plan and a share placement which together raised a total of $9,309,000 new capital which will be used for the repayment of convertible loan and general working capital.

Finance costs amounted to $1,010,000 (2017: $1,157,000) and represented principally interests on the convertible loan facilities.

During the financial period, the Company bought back 360,605 shares for a cost of $36,000.

The Group continues to maintain a strong financial position with a cash balance of $6,841,000 as at the balance sheet date.

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.

The Group holds 19.6% of AIV with a book value of $1.5 million, compared with its market value as at 31 December 2018 of $6.95 million.

Rey Resources Limited ('REY')

REY is an ASX listed oil & gas exploration and development company with a large tenement holding in the Canning Basin, Western Australia. The principal activity of REY is exploring for and developing energy resources in Western Australia's Canning Basin.

As at 31 December 2018, the Group held 16.3% of REY with a market value of $8.67 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 Basins in Western Australia. Acreage within the Canning Basin portfolio consists of a number of exciting development and exploration opportunities.

The Group currently holds 15.7% of the issued capital of KEY with a market value of $1.1 million.

Civil & Mining Resources Pty Ltd ('CMR')

Trading as 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 12 Exploration Permits for Coal (EPCs) 1 Mineral Development Licence (MDL) and 2 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 seams of mineable thickness expected to extend into unexplored areas. CMR has defined a JORC [2012] code compliant resource, with a total of 852Mt (184Mt Indicated, 688Mt Inferred resource).

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

Based on the outcomes of the exploration, CMR have completed highly detailed pre-feasibility studies and have developed plans for an underground thermal coal mine. The project has life of mine agreements in place for native title and land access as well as having strong support from local and state regulators, local communities', businesses and stakeholders. Mining and environmental approval processes have both commenced and both the EIS and engineering feasibility studies are under way.

As at 31 December 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 period, a marketing campaign has been launched and 100% 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 Main 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 years ahead.

In addition, ASF Properties and Sungrass Pty Ltd which is 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 stably.

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 businesses on matters such as public listing, visa migration, and funds management in Australia.

ASF Capital operates with an Australian Financial Services Licence and assists businesses with entry and/or expansion 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.

To date, ASF Capital has formed three funds that offer wholesale investors the opportunity to participate in the Company's projects with the aim is to provide outstanding financial returns to wholesale investors.

One of the funds is a Venture Fund which seeks to make investments into Australian early stage venture technologies and platforms offered by qualified Venture Capital Limited Partnerships in strategic collaboration with an Australian venture capital firm. The strategic collaboration will broaden opportunities in funds offerings, funds management and marketing reach.

ASF Technologies (Australia) Pty Ltd

ASF Technologies (Australia) Pty Ltd ('ASFTA') is an Australian company developing a range of small engines that can be used for power generation in predominantly rubber tired, road going vehicles. These engines operate using the in-house patented SYTECH Scotch Yoke mechanism that results in an engine with lower vibration, less noise and lower emissions than conventional engines. During the reporting period presentations were made to potential customers outlining the technology and its advantages with favourable response. On 1 December 2018 an Engineering team, located in Australia was established to design a 1.5L engine for use as a range extender in Electric Powered vehicles with a focus on Transport Buses and Commercial Vehicles. Prototype engines are expected to be operational and ready for initial installation and testing in the 4th quarter of 2019.

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 state of affairs

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

Matters subsequent to the end of the financial half-year

On 7 January 2019, the Company announced a non-underwritten share purchase plan to offer eligible shareholders to subscribe for shares in the capital of the Company at a price of A$0.08 per share ("SPP"). On 25 January 2019, the Company further announced a placement of 112,500,000 fully paid ordinary shares of the Company to professional investors at an issue price of A$0.08 per share ("Placement"). The Company raised a total of $9,309,000 under the SPP and Placement.

No other matters or circumstances have arisen since 31 December 2018 that have 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.

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 306(3) (a) of the Corporations Act 2001.

On behalf of the directors

Director: ....
Ms Min Yang- Chairman

Dated this 28th day of February 2019

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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 review of ASF Group Limited for the period ended 31 December 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 28 February 2019

ASF Group Limited

ABN 50 008 924 570

Contents
For the Half-Year Ended 31 December 2018

General information

The financial statements are those of ASF Group Limited as a consolidated entity consisting of ASF Group Limited (the company) and the entities it controlled at the end of, or during, the half-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 February 2019. The directors have the power to amend and reissue the financial statements.

ASF Group Limited

ABN 50 008 924 570

Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2018

	Note	Consolidated 31 Dec 2018 000's	 31 Dec 2017 000's
Revenue	3	**608**	539
Interest income	3	**200**	59
Other income	4	**-**	9,096
Expenses			
Commission and fee expenses		**(238)**	(165)
Consultancy expenses		**(957)**	(1,315)
Marketing expenses		**(150)**	(97)
Employee benefits expense		**(1,186)**	(1,150)
Depreciation expense		**(59)**	(60)
Impairment (losses)/reversal	5	**(4,394)**	3,227
Net fair value movements on financial assets	5	**-**	(11)
Legal and professional fees		**(635)**	(599)
Corporate and administration expenses		**(576)**	(660)
Occupancy expenses		**(674)**	(644)
Share of losses of associates	5	**(193)**	(207)
Finance costs	5	**(1,010)**	(1,157)
(Loss)/profit before income tax expense		**(9,264)**	6,856
Income tax expense		**-**	-
(Loss)/profit after income tax expense for the half-year		**(9,264)**	6,856
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(68)**	(22)
Other comprehensive income for the year, net of tax		**(68)**	(22)
Total comprehensive income for the half-year		**(9,332)**	6,834
(Loss)/profit for the half-year attributable to:			
Non-controlling interest		**(471)**	(114)
Owners of ASF Group Limited		**(8,793)**	6,970
		(9,264)	6,856
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		**(471)**	(114)
Owners of ASF Group Limited		**(8,861)**	6,948
		(9,332)	6,834
		Cents	**Cents**
Basic (loss)/earnings per share		**(1.30)**	1.03
Diluted (loss)/earnings per share	13	**(1.30)**	1.03

The accompanying notes form part of these financial statements.

ASF Group Limited

ABN 50 008 924 570

Statement of Financial Position
As At 31 December 2018

	Note	Consolidated 31 Dec 2018 000's	30 Jun 2018 000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**6,841**	4,585
Trade and other receivables	6	**384**	176
Other		**68**	103
TOTAL CURRENT ASSETS		**7,293**	4,864
NON-CURRENT ASSETS			
Other receivables		**242**	424
Investments accounted for using the equity method	7	**11,287**	14,389
Financial assets at fair value through profit or loss		**79**	79
Property, plant and equipment		**342**	260
Intangibles		**3,322**	3,163
TOTAL NON-CURRENT ASSETS		**15,272**	18,315
TOTAL ASSETS		**22,565**	23,179
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**1,707**	1,518
Borrowings	8	**6,125**	6,125
Employee benefits		**113**	98
TOTAL CURRENT LIABILITIES		**7,945**	7,741
NON-CURRENT LIABILITIES			
Borrowings	8	**16,347**	11,896
TOTAL NON-CURRENT LIABILITIES		**16,347**	11,896
TOTAL LIABILITIES		**24,292**	19,637
NET (DEFICITS)/ ASSETS		**(1,727)**	3,542
EQUITY			
Issued capital	9	**113,427**	113,463
Reserves		**1,616**	(777)
Accumulated losses		**(116,178)**	(107,385)
Equity attributable to the owners of ASF Group Limited		**(1,135)**	5,301
Non-controlling interest		**(592)**	(1,759)
TOTAL EQUITY		**(1,727)**	3,542

The accompanying notes form part of these financial statements.

ASF Group Limited
ABN 50 008 924 570

Statement of Changes in Equity
For the Half-Year Ended 31 December 2018

	Consolidated				
	Issued Capital 000's	Reserves 000's	Accumulated losses 000's	Non-controlling Interests 000's	Total equity 000's
Balance at 1 July 2017	113,657	(747)	(106,754)	(1,467)	4,689
Profit/(loss) after income tax expense for the half-year	-	-	6,970	(114)	6,856
Other comprehensive income of the half-year, net of tax	-	(22)	-	-	(22)
Total comprehensive income for the half-year	-	(22)	6,970	(114)	6,834
Transactions with owners in their capacity as owners					
Shares buy-back	(96)	-	-	-	(96)
Balance at 31 December 2017	113,561	(769)	(99,784)	(1,581)	11,427

	Issued Capital 000's	Reserves 000's	Accumulated losses 000's	Non-controlling Interests 000's	Total equity 000's
Balance at 1 July 2018	**113,463**	**(777)**	**(107,385)**	**(1,759)**	**3,542**
Loss after income tax expense for the half-year	**-**	**-**	**(8,793)**	**(471)**	**(9,264)**
Other comprehensive income of the half-year, net of tax	**-**	**(68)**	**-**	**-**	**(68)**
Total comprehensive income for the half-year	**-**	**(68)**	**(8,793)**	**(471)**	**(9,332)**
Transactions with shareholders	**-**	**2,461**	**-**	**1,638**	**4,099**
Share buy-back	**(36)**	**-**	**-**	**-**	**(36)**
Balance at 31 December 2018	**113,427**	**1,616**	**(116,178)**	**(592)**	**(1,727)**

The accompanying notes form part of these financial statements.

ASF Group Limited

ABN 50 008 924 570

Statement of Cash Flows
For the Half-Year Ended 31 December 2018

	Consolidated	
	31 Dec 2018	**31 Dec 2017**
	000's	**000's**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (inclusive of GST)	**403**	647
Payments to suppliers and employees (inclusive of GST)	**(4,166)**	(5,316)
Interest received	**9**	42
Other revenue	**-**	2
Interest and other finance costs paid	**(301)**	(1,743)
Net cash (used in) operating activities	**(4,055)**	(6,368)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	**(139)**	(1)
Payment for intangibles	**(197)**	(237)
Funds received on conclusion of the procurement process of Gold Coast Integrated Resort	**-**	9,082
Proceeds from release of deposits	**-**	1,000
Net cash (used in)/ provided by investing activities	**(336)**	9,844
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of capital of a subsidiary	**4,000**	-
Repayment of borrowings	**-**	(10,000)
Payments for share buy-backs	**(36)**	(96)
Loans to associates	**(1,254)**	(1,125)
Proceeds from borrowings	**4,000**	-
Net cash provided by/ (used in) financing activities	**6,710**	(11,221)
Net increase/(decrease) in cash and cash equivalents	**2,319**	(7,745)
Cash and cash equivalents at the beginning of the financial half-year	**4,585**	17,669
Effects of exchange rate changes on cash and cash equivalents	**(63)**	(8)
Cash and cash equivalents at the end of the financial half-year	**6,841**	9,916

The accompanying notes form part of these financial statements.

1 Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(a) 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 half year ended 31 December 2018, the Group recorded a loss after income tax and non-controlling interest of $8,793,000; showed net cash outflow from investing activities of $336,000 and net cash outflows from operating activities of $4,055,000 and, as of that date, the Group's current liabilities exceeded its current assets by $652,000. The net liabilities of the Group as of 31 December 2018 were $1,727,000.

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 $5 million in a convertible note facility available for draw down. On 7 January 2019, the Company announced a non-underwritten share purchase plan to offer eligible shareholders to subscribe for shares in the capital of the Company at a price of A$0.08 per share (“SPP”). On 25 January 2019, the Company further announced a placement of 112,500,000 fully paid ordinary shares of the Company to professional investors at an issue price of A$0.08 per share (“Placement”). The Company raised a total of $9,309,000 under the SPP and Placement.

- The Group expects convertible notes amounting to $16,347,000 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 31 December 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.

(b) New Accounting Standards and Interpretations adopted

The same accounting policies and methods of computation have generally been followed in these half year financial statements as those employed in the Group's annual financial statements for the year ended 30 June 2018 with the exception of the application of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers.

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

Initial adoption of AASB 15 'Revenue from contracts with customers'

The Group has adopted AASB 15 from 1 July 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 Group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the performance obligations in the contract; and recognises revenue when each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Management has undertaken an exercise to assess the Group's contractual arrangements with its customers as part of its implementation of AASB 15 and is satisfied that there is no impact to the Group's financial statements upon adoption.

The adoption of AASB 15 has resulted in changes to the Group's accounting policies as follows:

Commission Revenue

Commission revenue is primarily derived through the sale of properties. The Group holds formal agency contracts with property developers which specifies ASF's performance obligation to sell properties on behalf of the developers. The Group records commission revenues at a point-in-time, upon sale and/or settlement of a property.

The contract identifies the transaction price as a percentage of the sales price and this is allocated in entirety to the sale of the property. Whilst this is a variable consideration, there is no requirement by the Group, or risk for the Group, to estimate the value of the revenue transaction as no revenue is recognised until the sale has been completed.

Corporate Services

Corporate services are management services provided by ASF. The Group holds formal contracts with other entities for the provision of management services including corporate and accounting services. Each contract details the Group's performance obligations which vary with each contract. Management have determined that all services defined by each contract form part of a series of distinct services that are substantially the same.

The activities performed are provided daily/monthly and have the same pattern of transfer to the customer.

The Group recognises the revenue from these services over each service period, typically defined as a month. Each contract clearly states a fixed transaction price for each service period.

Rent

Rent revenues are primarily earned via the leasing/renting and management of rental properties on behalf of property owners. The Group holds formal leasing contract with individual property owners. The contract defines the Group's performance obligations to lease and manage the rental properties on behalf of the owners. Management have determined that all performance obligations included in the contract form part of a series of distinct services that are substantially the same. The activities performed are provided daily/monthly and have the same pattern of transfer to the customer.

Management recognises revenue over each service period, typically defined as a day. The contract establishes a fixed price for each rental property which is recognised as the service is provided.

Marketing

Marketing revenues are earned by marketing campaigns the Group performs in relation to the sale of the properties. The Group does not typically obtain formal contracts with customers but agrees on the performance obligations. These performance obligations require the Group to deliver a marketing campaign, for a period of time, for a fixed price.

Management have determined that all marketing activities included in a mutually agreed-upon performance form part of a series of distinct services that are substantially the same. The activities performed are provided daily/monthly and have the same pattern of transfer to the customer.

The Group applies the transaction price in full to the series of activities. Revenue is recognised upon completion of the activity.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods. Rather, if any, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Management has assessed the classification and measurement of the Group's financial assets as well as impairment under the new three-stage expected credit loss model.

Trade and other receivables that include GST receivable and prepayments do not meet the definition of a financial asset. The remaining part continues to be recognised at amortised cost.

Management is satisfied that impairment under the new three-stage expected credit loss model did not have any impact as at 1 July 2018. All the loans granted to associates are fully impaired as the company recognised lifetime expected losses.

Management assessed the classification of its financial liabilities as at 1 July 2018 and is satisfied that they continue to be recorded at amortised cost. Convertible notes recorded as financial liabilities under AASB 139 continue to be recorded at amortised cost under AASB 9.

As a result, management is satisfied that there is no impact from the transition from AASB 139 to AASB 9.

New accounting policy – Financial instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

• financial assets at amortised cost
• financial assets at fair value through profit or loss (FVPL)
• debt instruments at fair value through other comprehensive income (FVOCI)
• equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:
• The entity's business model for managing the financial asset
• The contractual cash flow characteristics of the financial assets
All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)
Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVOCI. Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)
Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets
AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets at fair value through other comprehensive income

The Group recognises 12 months expected credit losses for financial assets at FVOCI. As most of these instruments have a high credit rating, the likelihood of default is deemed small. However, at each reporting date the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.
Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Interest Income

Interest income from financial assets at FVPL is included in the net fair value gains / (losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

2 Operating segments

Identification of reportable segments

The Group's operating segment is identified 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 the statement of financial position for assets and liabilities.

ASF Group Limited

ABN 50 008 924 570

Notes to the Financial Statements
For the Half-Year Ended 31 December 2018

3 Revenue

	Consolidated	
	31 Dec 2018	**31 Dec 2017**
	000's	**000's**
Sales revenue		
Commission revenue	**238**	367
Corporate services	**172**	170
Marketing fees	**93**	-
Rental income	**105**	2
	608	539
Other revenue		
Interest income	**200**	59
Total	**808**	598

4 Other income

Net foreign exchange gain	**-**	14
Funds received on conclusion of the procurement process of Gold Coast Integrated Resort project	**-**	9,082
Other income	**-**	9,096

5 Expenses

Profit/(loss) before income tax includes the following specific expenses:

Impairment		
Impairment loss/(reversal) of investment in associates	**2,910**	(3,228)
Mining exploration and evaluation expenditures	**38**	1
Impairment of loan to associates	**1,446**	-
Total impairment loss/(reversal)	**4,394**	(3,227)
Share of loss of associates		
Rey Resources Limited	**125**	67
ActiveEx Limited	**54**	72
Key Petroleum Ltd	**14**	68
Total share of loss of associates	**193**	207
Net fair value movement on other financial assets		
Kaili Resources Limited (ASX: KLR)	**-**	11
Total net fair value movement on other financial assets	**-**	11
Finance costs		
Interest and finance charges paid/payable	**916**	1,157
Other finance charge	**94**	-
	1,010	1,157

6 Trade and other receivables

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
	000's	**000's**
Trade receivables	**218**	4
Other receivables	**166**	172
Short term loans issued to associates	**4,223**	705
Less: Provision for impairment of receivables	**(4,223)**	(705)
	384	176

Short term loan to ActivEx Limited (ASX: 'AIV')

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. During the half year, the loan facility was increased to $2,000,000 and the maturity date extended to 31 December 2019.

Short term loan to Rey Resources Limited (ASX: 'REY')

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 $3 million and the maturity date extended to 31 December 2019.

7 Investments accounted for using the equity method

	31 Dec 2018	**30 Jun 2018**
	000's	**000's**
Rey Resources Limited (ASX: REY)	**8,667**	11,074
ActivEx Limited (ASX: AIV)	**1,514**	1,568
Key Petroleum Ltd (ASX: KEY)	**1,106**	1,747
	11,287	14,389

8 Borrowings

	31 Dec 2018 000's	30 Jun 2018 000's
Current	**6,125**	6,125
Non-current	**16,347**	11,896
Convertible notes payable	**22,472**	18,021

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.

With the continuing support from Star Diamond Developments Limited ('Star Diamond'), on 29 December 2017, the Group entered into a Deed of Amendment with Star Diamond for the increase of convertible loan facilities ('SD Facilities') by $5,000,000 to a total of $20,000,000 and a further extension of the maturity date to 31 October 2020. As at the date of this report, $15,000,000 of SD Facilities had been drawn down.

9 Issued capital

	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 000's	30 Jun 2018 000's
Ordinary shares - fully paid	677,034,552	677,395,157	113,427	113,463

Movements in ordinary share capital

Details	**Date**	**Shares**	**Average buy-back price**	**000's**
Balance	1 July 2018	677,395,157		113,463
Share buy-back	1 July 2018 to 31 December 2018	(360,605)		(36)
Balance	31 December 2018	677,034,552		113,427

Share buy-back

During the half-year, the Company bought back 360,605 shares at a cost of $36,000. The buy-back program is extended to 22 May 2019.

10 Dividends

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

11 Interests in subsidiaries

In addition to interests in subsidiaries disclosed in the financial report as at 30 June 2018, following interest in subsidiaries were changed during the half year:

Name	Principal place of business/Country of incorporate	Ownership interest	
		31 December 2018	30 June 2018
ASF Technologies (Australia) Pty Ltd (formerly ASF Infrastructure Group Pty Ltd)	Australia	**62%**	100%
ASF Technologies Ltd	Hong Kong	**60%**	100%

During the half year, the Group has deregistered following subsidiaries:

Name	Principal place of business/Country of incorporate
ASF Resources (WA) Pty Ltd	Australia
Basin Coal Pty Ltd	Australia
Victory Coal Pty Ltd	Australia
ASF Copper Pty Ltd	Australia
Austin Resources Pty Ltd	Australia

12 Fair value measurement

The following tables detail the Group's assets, 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

	Level 1 000's	Level 2 000's	Level 3 000's	Total 000's
Consolidated - 31 Dec 2018				
Assets				
Investments at fair value through profit or loss	**79**	**-**	**-**	**79**
Total assets	**79**	**-**	**-**	**79**

	Level 1 000's	Level 2 000's	Level 3 000's	Total 000's
Consolidated - 30 Jun 2018				
Assets				
Investments at fair value through profit or loss	79	-	-	79
Total assets	79	-	-	79

There were no transfers between levels during the financial half-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.

13 Earnings per share

	Consolidated	
	31 Dec 2018	**31 Dec 2017**
	000's	**000's**
(Loss)/profit after income tax	**(9,264)**	6,856
Non controlling interest	**471**	114
(Loss)/profit after income tax attributable to the owners of ASF Group Limited	**(8,793)**	6,970
	No.	**No.**
Weighted average number of ordinary shares used in calculating basic earnings per share	**677,277,625**	678,201,510
Weighted average number of ordinary shares used in calculating diluted earnings per share	**677,277,625**	678,201,510
	Cents	**Cents**
Basic (loss)/earnings per share	**(1.30)**	1.03
Diluted (loss)/earnings per share	**(1.30)**	1.03

14 Matters subsequent to the end of the financial half-year

On 7 January 2019, the Company announced a non-underwritten share purchase plan to offer eligible shareholders to subscribe for shares in the capital of the Company at a price of A$0.08 per share (“SPP”). On 25 January 2019, the Company further announced a placement of 112,500,000 fully paid ordinary shares of the Company to professional investors at an issue price of A$0.08 per share (“Placement”). The Company raised a total of $9,309,000 under the SPP and Placement.

No other matters or circumstances have arisen since 31 December 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.

ASF Group Limited

ABN 50 008 924 570

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-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 with the continuing support of creditors.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

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Min Yang

Chairman

Dated 28th February 2019

Grant Thornton

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Independent Auditor's Review Report

To the Members of ASF Group Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of ASF Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of ASF Group Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group recorded a loss after income tax and non-controlling interest of $8,793,000; showed net cash outflows from operating activities of $4,055,000 during the half-year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $652,000. 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 significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ASF Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 28 February 2019