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**AUSTCHINA HOLDINGS LIMITED**  
**ABN 20 075 877 075**

**HALF-YEAR REPORT – 31 DECEMBER 2018**

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("the Group") consisting of AustChina Holdings Limited 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 AustChina Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Name	Position	Period of Directorship
Anthony Chan	Non-Executive Chairman	Appointed 22 November 2013
Nick Bolkus	Non-Executive Deputy Chairman	Appointed 22 November 2013
George Lam	Non-Executive Director	Appointed 22 November 2013
Daniel Chan	Non-Executive Director	Appointed 22 November 2013
William Ko	Non-Executive Director	Appointed 5 December 2018
Ron Marks	Non-Executive Director	Resigned 29 November 2018

### REVIEW OF OPERATIONS

The profit after income tax of the Group for the half-year was \$3,367,820 (2017: loss \$484,423) after recognising a profit of \$3,901,128 on the sale of Assets classified as held for resale and recognising \$52,881 expense from share of loss from equity accounted investment (2017: \$107,043).

Exploration activities in the half-year were limited to desktop studies and management of field facilities. The lower number of coal tenements in the financial year ended June 2018 reduced the exploration tenement holding costs in the current period.

The company has focused on identifying and evaluating opportunities in the resources sector at a time where the resources sector generally is under some pressure globally.

### STRATEGIC DIRECTION

#### Strategic Direction

The Company's key strategic focuses are:

1. Acquisition of a suitable project to provide cash flow in the short to medium term;
2. Exploration and development of existing coal projects for the creating of longer-term shareholder value;
3. Seek opportunities in the energy sector;
4. Seek opportunities in the resources sector; and
5. Commodity trading to pursue short-to-medium term revenue opportunities.

### ACTIVITIES RELATED TO ENERGY PROJECTS

#### Coal

AustChina retains 3 coal exploration permits centred on its Blackall Coal Project. The permits are:

EPC1625                      EPC1719                      EPC1993

No new field activities were undertaken during the period.

AustChina is keeping expenditure to minimal required levels whilst reviewing ways to bring value from its Blackall Coal project including potential for use of the coal for on-surface gasification.

Statutory reporting and where relevant relinquishments of sub-blocks have been made in accordance with the conditions of the various exploration permits.

## **Petroleum**

On 7 March 2018 AustChina Holdings Limited (ASX: AUH) announced that it had signed an Option Deed for the sale of AustChina's 100% owned subsidiary Surat Gas Pty Ltd and the option was exercised on 20 March 2018. Surat Gas Pty Ltd held three Authorities to Prospect for Petroleum (ATPs): ATPs 1072, 1095 and 1098.

Following further negotiations, a final price of \$5.1 million was agreed and part payment of \$2.1 million was received. The final settlement took place on 28 September 2018.

On settlement the Company received a further \$1.0 million cash payment and agreed to apply the remaining balance of the purchase price to:

Acquire 5% of the issued capital of Sector Projects Pty Ltd (Sector), a Queensland exploration company related to the Purchaser, for \$1.0 million; and

Acquire a \$1.0m Convertible Note. The Note is for a term of 1 year at 8% interest and is secured by a Tenement Mortgage over 2 tenements controlled by Sector (through a wholly owned subsidiary).

Sector holds EPMs 18628, 18644, 18645, and 18647 together with EPMs 26419 and 26463 held in 100% owned subsidiary Sector Projects Australia Pty Ltd. The permits (collectively the Gregory Project) are in North West Queensland with copper mineralisation being the primary target.

Sector has over the last three years undertaken three ground-based geophysical surveys and a 6-hole diamond drill programme, with more drilling planned in the 2019 exploration season. Sector's strategy is to build on previous interpretations and results of work in the area.

This opportunity allows the Company to participate in the early stages of exploration of this project and offers the opportunity (but not a right or obligation) for further participation in future capital raisings. The Company views copper as a strategic mineral for investment.

## **Biogas**

AustChina has a shareholding in Utilitas Group Pty Ltd (Utilitas) of just over 25%.

Utilitas is a privately-owned company focused on the emerging biogas industry in Australasia and represents a unique opportunity for AustChina as it provides an additional investment in the energy and resources sector to diversify its existing portfolio.

In the last quarter of calendar 2018 Utilitas successfully designed, procured, installed and commissioned a pilot Continuously Stirred Tank Reactor (CSTR) biogas plant, initially to produce enough digestate for commercial trials of a high value liquid fertiliser product.

Utilitas continues to progress the first two regional bioHub projects, Casino in Northern NSW and Bundaberg in Queensland, through financial close with project financiers

The Bundaberg bioHub is being advanced with the assistance of funding from the Queensland Government Biofutures Acceleration Program (BAP).

Demand for new regional infrastructure such as Utilitas bioHubs that convert organic waste to energy, jobs and value is building as industry and communities experience increased pressure from electricity and gas prices and supply risks.

## **Events subsequent to reporting date**

There have been no significant events subsequent to reporting date.

**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 on page 4.

This report is made in accordance with a resolution of directors.



**A Chan**  
**Chairman**

**15 March 2019**

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of AustChina Holdings Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in black ink, appearing to read 'ALLOOTS'.

**Albert Loots**

Partner – Assurance and Advisory

Brisbane, Queensland  
Dated: 15 March 2019

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**General information**

The financial statements cover AustChina Holdings Limited as a consolidated entity ("the Group") consisting of AustChina Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

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

Level 16, 344 Queen Street  
Brisbane QLD 4000  
(07) 3229 6606

A description of the nature of the Group's operations and its principal activities are included in the directors' report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2019.

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	31 December 2018 \$	31 December 2017 \$
Interest income		21,921	286
Gain on fair value of financial instrument		-	11,515
Gain on sale of Assets classified as held for resale	3	3,901,128	-
Professional services expenses		(253,828)	(226,828)
Tenement expenditure written off/expensed		(7,728)	-
Finance and interest costs	4	(39,653)	(795)
Corporate overhead expenses		(144,974)	(104,335)
Depreciation expenses		-	(323)
Directors' remuneration		(56,165)	(56,900)
Share of loss from equity accounted investment		(52,881)	(107,043)
Profit (loss) before income tax		3,367,820	(484,423)
Income tax expense		-	-
Net profit (loss) for the half-year		3,367,820	(484,423)
<i>Other comprehensive income</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit (loss) for the half-year		3,367,820 =====	(484,423) =====
		<b>Cents</b>	<b>Cents</b>
<b>Profit (Loss) per share for loss from continuing operations attributable to the ordinary equity holders of AustChina Holdings Limited:</b>			
Basic earnings per share		0.33	(0.04)
Diluted earnings per share		0.33	(0.04)
<b>Profit (Loss) per share for loss attributable to the ordinary equity holders of AustChina Holdings Limited:</b>			
Basic earnings per share		0.33	(0.04)
Diluted earnings per share		0.33	(0.04)

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

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **AS AT 31 DECEMBER 2018**

	Note	31 December 2018 \$	30 June 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		472,602	115,575
Trade and other receivables		52,350	23,862
Asset classified as held for sale		-	269,212
Convertible notes	6	1,020,524	-
Total current assets		1,545,476	408,649
<b>Non-current assets</b>			
Exploration and evaluation assets	7	15,666,524	15,580,782
Investments accounted for using the equity method		774,057	826,938
Investments other		76,300	-
Other assets		10,200	9,700
Total non-current assets		16,527,081	16,417,420
<b>Total assets</b>		<b>18,072,557</b>	<b>16,826,069</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		135,487	435,472
Borrowings	8	1,278,555	2,981,639
Total current liabilities		1,414,042	3,417,111
<b>Non-current liabilities</b>			
Other financial liabilities	9	1,500,000	1,500,000
Total non-current liabilities		1,500,000	1,500,000
<b>Total liabilities</b>		<b>2,914,042</b>	<b>4,917,111</b>
<b>Net assets</b>		<b>15,158,515</b>	<b>11,908,958</b>
<b>EQUITY</b>			
Issued Capital	10	65,389,553	65,507,816
Reserves		3,528,043	3,528,043
Accumulated losses		(53,759,081)	(57,126,901)
<b>Total equity</b>		<b>15,158,515</b>	<b>11,908,958</b>

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



# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Total \$
<b>Balance at 1 July 2017</b>	65,507,816	(56,174,920)	3,528,043	12,860,939
Profit for the period	-	(484,423)	-	(484,423)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	(484,423)	-	(484,423)
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital, net of transaction costs	-	-	-	-
<b>Sub total</b>	-	-	-	-
<b>Balance at 31 December 2017</b>	65,507,816	(56,659,343)	3,528,043	12,376,516
<b>Balance at 1 July 2018</b>	65,507,816	(57,126,901)	3,528,043	11,908,958
Profit for the period	-	3,367,820	-	3,367,820
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	3,367,820	-	3,367,820
<b>Transactions with owners in their capacity as owners:</b>				
Equity Component of Convertible Note	(118,263)	-	-	(118,263)
<b>Sub total</b>	(118,263)	-	-	(118,263)
<b>Balance at 31 December 2018</b>	65,389,553	(53,759,081)	3,528,043	15,158,515

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

# **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	31 December 2018 \$	31 December 2017 \$
<b>Cash flows from operating activities</b>		
Receipts in the course of operations (inclusive of goods and services tax)	24,258	33,167
Payments to suppliers (inclusive of goods and services tax)	(808,698)	(356,576)
Interest received	1,397	286
Interest paid	-	(795)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	(783,043)	(323,918)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation assets	(98,430)	(110,767)
Proceeds on sale of Assets classified as held for sale	3,100,000	-
Payments for security deposit	(500)	(2,200)
Refund of security deposit	-	5,000
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from investing activities</b>	3,001,070	(107,967)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Repayment of current borrowings	(1,461,000)	-
Proceeds from current borrowings	-	400,000
Repayment of convertible note	(400,000)	-
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>	(1,861,000)	400,000
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	357,027	(31,885)
Cash and cash equivalents at the beginning of the half-year	115,575	245,853
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<b>Cash and cash equivalents at the end of the half-year</b>	472,602	213,968
	=====	=====

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 1 Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by AustChina Holdings Limited 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. The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the statement of financial position shows net current assets of \$131,434 as at 31 December 2018.

The ability of the Group to continue as a going concern is principally dependent on:

- Continued financial support of Treasure Wheel Global Limited for at least 12 months from the date of this report; and
- Ability to raise capital on the market and/or sell non-core assets.

These factors indicate a material uncertainty which may cast significant doubt as to whether AustChina Holdings Limited will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors believe that the going concern basis of preparation is appropriate as it has received a letter of support from Treasure Wheel Global Limited undertaking to provide financial support, to enable AustChina Holdings Limited to continue operations, for at least 12 months from the date of this report; and

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities should the Group be unable to continue as a going concern.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 2 Segment information

#### Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Board of Directors carries out the role and is therefore the Chief Operating Decision Maker. Financial information provided to the board is currently at the consolidated level.

Management currently identifies the Group as having only one reportable segment, being exploration of coal, oil and gas. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates solely within Australia. The Group does not have any products or services that it derives revenue from.

### Note 3 Gain on sale of Assets classified as held for resale

During the current financial half-year to 31 December 2018 the Company recognised a gain on sale of Assets classified as held for resale of \$3,901,128.

This gain arose from the sale of Surat Gas Pty Ltd, which was a 100% owned subsidiary of the Company. The sale was completed on 28 September 2018 for a total price of \$5.1 million, comprising \$3.1 million cash, shares in Sector Projects Pty Ltd, being the purchaser of Surat Gas Pty Ltd, representing 5% of the issued capital with a nominal value of \$1.0 million and a Convertible Note in Sector Projects Pty Ltd for \$1.0 million (refer note 6).

The shares in Sector Projects Pty Ltd were independently valued to a fair value of \$76,300 and a decrement on revaluation of \$923,700 was recognised against the gain on sale.

The gain on sale represents:	\$
Sale price	5,100,000
Less Costs incurred in respect of the sale	(5,960)
Carrying value of the asset at 30 June 2018	(269,212)
Revaluation decrement on the shares in Sector Projects Pty Ltd upon Independent Valuation	(923,700)
Net Gain on Sale	<u>\$3,901,128</u>

### Note 4 Expenses

	31 December 2018 \$	31 December 2017 \$
Profit/(Loss) before income tax for the half-year includes the following items:		
<b>Expenses</b>		
Exploration Expenditure expensed	-	-
Share of loss from equity accounted investment	52,881	107,043
<i>Finance costs</i>		
Unwinding of issue costs financial liabilities not at fair value through profit or loss	39,653	795

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 5 Fair Value of Financial Instruments

#### *Recurring Fair Value Measurements*

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 non-current 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 convertible note 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 or gain of fair value of financial instrument is recognised as revenue in profit or loss.

Due to their short-term nature, the carrying amounts of current receivables, and current payables is assumed to approximate their fair value.

### Note 6 Current assets – Convertible Notes

	31 December 2018 \$	30 June 2018 \$
Convertible Note at face value	1,000,000	-
Capitalised Interest	20,524	-
	1,020,524	-

During the current financial half-year as part consideration for the sale of Surat Gas Pty Ltd (refer Note 5) the company received a Convertible Note with a Face Value of \$1,000,000 in Sector Projects Pty Ltd, the purchaser of Surat Gas Pty Ltd.

The Convertible Note has a term of 12 months and matures on 28 September 2019. The Note accrues interest of 8% calculated daily and capitalised at the end of each calendar month and is payable together with the face value of the convertible note on maturity date, unless AustChina Holdings Limited elects to convert to shares in Sector Projects Pty Ltd. The Note is secured by a mortgage over two tenements controlled by Sector Projects Pty Ltd.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 7 Non-current assets - Exploration and evaluation assets

	31 December 2018 \$	30 June 2018 \$
<b>Exploration phase costs – at cost</b>	<b>15,666,524</b>	<b>15,580,782</b>

The capitalised exploration assets carried forward above has been determined as follows:

Balance at the beginning of the year	15,580,782	15,558,524
Expenditure incurred during the year	85,742	193,970
Expenditure transferred to Asset classified as held for sale	-	(171,712)
Exploration abandoned	-	-
Balance at the end of the year	<b>15,666,524</b>	<b>15,580,782</b>

The ultimate recoupment of costs carried forward for exploration assets is dependent upon the successful development and commercial exploitation or alternatively sale of the interests in the tenements.

The write-off of capitalised exploration expenditure recognises the continuing process undertaken by the Group to rationalise holding costs in areas where coal project development would be very long term in the current industry environment.

### Note 8 Current Liabilities – Borrowings

	31 December 2018 \$	30 June 2018 \$
Borrowings	-	1,461,000
Convertible note	1,278,555	1,520,639
	<b>1,278,555</b>	<b>2,981,639</b>

During the current financial half-year the company repaid an unsecured loan of \$1,461,000 to Treasure Wheel Global Limited.

During the current financial half-year a convertible note of \$1,900,000 matured. The company repaid \$400,000 on the convertible note and secured an extension for a period of 6 months from Treasure Wheel Global Limited. No interest is payable on the convertible note which has a maturity date of 8 May 2019.

	31 December 2018 \$	30 June 2018 \$
<b>Convertible Note - Current</b>		
Face value of notes issued	1,500,000	1,900,000
Other equity securities – value of conversion rights	(221,445)	(379,361)
	<b>1,278,555</b>	<b>1,520,639</b>
Current liability	<b>1,278,555</b>	<b>1,520,639</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 9 Non-current liabilities – Other financial liabilities

	31 December 2018 \$	30 June 2018 \$
Other financial liabilities	1,500,000	1,500,000

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from certain tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n) of the 30 June 2018 Annual Report.

The royalty is only payable in the event of future production of coal.

There has been no movement in the balance of the liability. The Group has assessed that the fair value at the time of the initial transaction, which was at arm's length, remains a reasonable assessment of the fair value at 31 December 2018 as no changes in the underlying circumstances have occurred since. The fair value would be Level 3 in the fair value hierarchy.

### Note 10 Equity securities issued

	Half-year		Half-year	
	2018 Shares	2017 Shares	2018 \$	2017 \$
<b>Issue of ordinary shares during the half-year</b>				
Shares issued during half year	-	-	-	-
Share issue costs	-	-	-	-
Value of conversion right – Convertible Note	-	-	(118,263)	-
Net increase (decrease) in contributed equity	-	-	(118,263)	-

There are no options on issue in AustChina Holding Limited.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### Note 11 Commitments for expenditure

	31 December 2018 \$	30 June 2018 \$
<b>Exploration commitments</b>		
Commitments as at 31 December 2018 for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities are as follows:	517,084	262,084

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of the tenements will be held for its full term. However, commitments may decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

### Note 12 Contingent liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period.

### Note 13 Events subsequent to reporting date

There have been no significant events subsequent to reporting date.



## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that AustChina Holdings Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



A Chan  
Chairman

15 March 2019

**RSM Australia Partners**

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[www.rsm.com.au](http://www.rsm.com.au)**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
AUSTCHINA HOLDINGS LIMITED**

We have reviewed the accompanying half-year financial report of AustChina Holdings Limited which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the 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 consolidated entity'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 AustChina Holdings 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.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AustChina Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity had net current assets of \$131,434 as at 31 December 2018. 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 consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

*RSM*

**RSM AUSTRALIA PARTNERS**



**Albert Loots**  
Partner – Assurance and Advisory

Brisbane, Queensland  
Dated: 15 March 2019

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