# Fortune Asia Group Limited

**ABN 19 161 234 395**

# 2018 Annual Report
# For the Year Ended 31 December 2018

## Corporate Directory

**Directors**

Mr Yuhan Chen, Chairman
Mr Min Yu, Non-executive director
Ms Sherry Tao, Xue, Non-executive director
Ms Zijian, Liu, Non-executive director
Mr Kwong Yeung To, Non-executive director (resigned 18 January 2018)
Mr Feng Chen, Non-executive director (appointed 26 March 2018 and resigned 9 May 2018)
Mr Geng Lin, Non-executive director (appointed 30 October 2018)
Mr Yiguang Lin, Non-executive director (appointed 30 October 2018)

**Company Secretary**

Ms Sherry Tao, Xue

**Registered Office and Principal Office**

Suite 525, 377 Kent Street
Sydney NSW 2000
Australia

Phone No: (612) 80245932
Website: www.fyaasx.com

**Share Registry**

Boardroom Pty Limited
Grosvenor Place, Level 12, 225 George Street
Sydney, NSW 2000

Phone No: (612)92909600

**Banker**

Australia and New Zealand Banking Group Limited
121 King William St
Adelaide SA 5000

**Auditor**

BDO
Level 7, 420 King William Street
Adelaide SA 5000

**ASX Code** **FYA**

**Directors report (Continued)**

The directors of Fortune Asia Group Limited present their report together with the financial statements of the consolidated entity (referred to hereafter as the "consolidated entity" or the "group") consisting of Fortune Asia Group Limited (referred to hereafter as the "company" or "parent entity") and the entities it controlled for the year ended 31 December 2018.

## Directors

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

Mr Yuhan Chen
Mr Min Yu
Ms Sherry Tao Xue
Ms Zijian, Liu
Mr Kwong Yeung To (resigned 18 January 2018)
Mr Feng Chen (appointed 26 March 2018 and resigned 9 May 2018)
Mr Geng Lin (appointed 30 October 2018)
Mr Yiguang Lin (appointed 30 October 2018)

## Review of Operations

On 22 March 2018, the Board held the Board meeting and resolved that, pursuant to the last year annual report, the exploration license of Wutonggou copper mine, which is owned by Fujian Sanming Longhui Industry & Trade Co., Limited, will no longer be renewed. (The old exploration license expired on April 1, 2018, and impairment of assets was recorded as of 2016.)

As at the end of December 2018, no further exploration activities occurred in the Kyzyl-Leto tenement held by the Company in Xinjiang Autonomous Region.

As it is increasingly difficult to develop new projects because of regulatory risk, sovereign risk, environmental factors and financing issues, therefore there are no clear likely developments in the Group's operations.

Until the Company is able to carry out its plan to develop its existing assets, the directors are committed to carrying out meaningful work by identifying and assessing opportunities that may be valuable to the Company.  The Board continues to review and evaluate potential corporate opportunities in the mining sector and is of the view that present market conditions will provide more opportunities going forward than seen in recent years.

**TENEMENT LOCATIONS AND DETAILS**

**Directors report (Continued)**

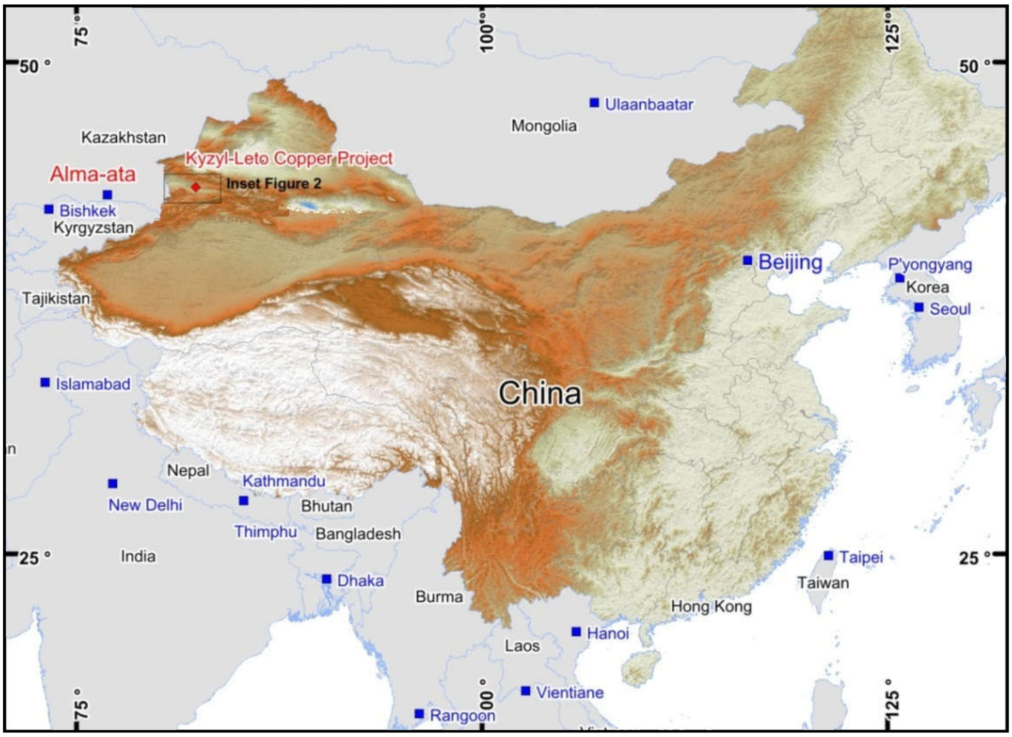

Figure 1. Fortune Asia Minerals projects location map.

Figure 2. Fortune Asia project locations in relation to Yining City.

**Kyzyl-leto copper project**

The 100% owned Kyzyl-Leto Copper Project is located approximately 90km south-southeast of the City of Yining within the Yili Block of the Central Asian Orogenic Belt in Xinjiang, China.

**Highlights**

- Non-JORC compliant mineralisation of 4.27 million tonnes @ 1.93% for 82.3 kt of Cu.

Kyzyl-Leto has Chinese classified Non - JORC compliant mineralisation of 4,271,500 tonnes at 1.93% copper for 82,300 tons of copper metal and an exploration licence area of 13.05 square kilometres.

**Directors report (Continued)**

Under the Chinese System of Resources Classification the resources have been classified as 332 and 333 which represent – Discovered but Indicated and Inferred respectively.

The Kyzyl-Leto East and West prospects remain prospective for additional copper mineralisation targeting potential extensions to currently known mineralisation. The priority is to target higher copper grades, increase tonnage and confidence in the mineralisation at the Kyzyl-Leto East and West prospects. Post infill drilling JORC Compliant Resources could be estimated and economic studies applied to the appropriate level of classified resource.

Within the broader Kyzyl license there remains strong exploration potential to discover additional outcropping and possibly concealed mineralisation related to other QAP intrusive bodies. Initial exploration completed has identified several other QAP dykes with low to moderate grade copper mineralisation at surface. Additional work programmes are proposed that will evaluate known copper anomalies but also assist in discovering potentially concealed mineralisation.

On June 27, 2014, Xinjiang Uygur Autonomous Region Land and Resources Department issued the exploration license, Certificate No: T65120090302026512, is valid from June 27, 2014 to June 27, 2017. The Company applied to renew for another 3 years and is still awaiting the approval. There is no reasonable ground for the Company to believe that its application will be declined as of this annual report issuance date.

## Comparison of Mineral Resources Statement to the Prior Year

As at the reporting date, the mineral resources of Wutonggou project was deducted compared with the Mineral Resources recorded over the previous year.

## Competent Person’s Requirement - Exploration Results and Mineral Resources

Information in this report that relates to the Company’s exploration results or estimates of mineral resources or ore reserves of Kyzyl-Leto Copper Project was originally provided in the Company’s Replacement Prospectus dated 4 August 2014 and announced on the ASX on 19 September 2014 (Replacement Prospectus). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Replacement Prospectus and in the case of estimates of mineral resources or ore reserves, that all material assumptions and technical parameters underpinning the estimates in the Replacement Prospectus continue to apply and have not materially changed.

## Tenement Holdings and Movements

Mining Tenements and Beneficial Interest held as at 31 December 2018:

| Tenement | Location | Project | Holder | Interest (%) |
|---|---|---|---|---|
| Kyzyl-Leto East | Yining | Kyzyl-Leto | Fortune Asia Group Limited | 100 |
| Kyzyl-Leto West | Yining | Kyzyl-Leto | Fortune Asia Group Limited | 100 |

## Principal Activities

The principal activities of the consolidated entity are the exploration for copper, gold and other mineral deposits in Xinjiang Uygur Autonomous Region of the People’s Republic of China with the objective to develop the discoveries into profitable operating mines.

No significant change in the nature of these activities occurred during the year.

## Corporate

**Directors report (Continued)**

Significant board changes that were implemented during the year:

On 18 January 2018, Mr. Kwong Yeung To resigned as a non-executive director of the Company.

On 26 March 2018, Mr. Feng Chen was appointed as a non-executive director of the Company and on 9 May 2018, the Board accepted the resignation of Mr. Feng Chen as a non-executive director of the Company.

On 30 October 2018, Mr. Geng Lin and Mr. Yiguang Lin were appointed as non-executive directors of the Company.

On 2 May 2018, the Company held AGM and released AGM result and all of resolutions were passed.

## Review of Financial Results

The loss of the consolidated entity for the financial year is $339,422 (2017: $340,380).

## Significant Changes in the State of Affairs

No significant changes in the consolidated entity's state of affairs occurred during the financial year.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Events subsequent after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Likely Developments and Expected Results

As it remains difficult to develop new projects because of regulatory risk, sovereign risk, environmental factors and financing issues, therefore there are no clear likely developments in the Group's operations. Until the Company is able to carry out its plan to develop its existing assets the directors are committed to carrying out meaningful work by identifying and assessing opportunities that may be valuable to the Company.

**Directors report (Continued)**

## Environmental regulations

The consolidated entity's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia. The consolidated entity's operations are in China, and hence are regulated by Chinese Environmental Laws as well. There have not been any breaches under Chinese Environmental Laws since the start of the financial year to the date of this report unless otherwise stated.

## Dividends

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

## Shares under option

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

## Shares issued on the exercise of options

There were no shares of Fortune Asia Group Limited issued on the exercise of options during the year ended 31 December 2018 and up to the date of this report.

## Information on current directors

| | |
|---|---|
| Name: | Yuhan Chen |
| Title: | Executive Chairman and Managing Director |
| Experience and expertise: | Chen Yuhan (LLB) obtained a law degree from the economic Law Department of East China University of Politics and Law. After graduation, he served in the Fuzhou Foreign Economic and Trade Commission and engaged in the foreign investment approval process. He commenced in private practice in 1996, and during practice specialized in corporate legal commerce. In 2010, he established the Fujian Helun Law Firm and served as Director, and in the same year established the Beijing Jinwo (Beijing) Venture Capital Co., Ltd branching into the commercial areas of private equity (PE) investment and capital operation. Mr Chen was appointed by the Fuzhou Arbitration Commission as an arbitrator for two consecutive terms from February 23, 2010 to date.<br><br>Mr Chen is a resident of China. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Nomination and Remuneration Committee member |
| Interest in shares: | 2,685,000 |
| Interest in options: | None |

**Directors report (Continued)**

| | |
|---|---|
| Name: | Sherry Tao Xue |
| Title: | Non-Executive Director |
| Experience and expertise: | Sherry Tao, Xue, has over 20 years' experience in investment banking both in Australia and China. She has a wealth of experience in Initial Public Offerings, mergers & acquisitions and corporate adviser. She has at senior management levels with companies including China Commodity Futures Exchange, China Galaxy Securities Corporation, one of Singapore's commercial banks and 2 unlisted public companies in Australia. She is currently company secretary of Shenhua International Ltd (ASX: SHU).<br><br>She is an economics graduate with Doctorate, Master and Bachelor degrees from Zhejiang University in China. She has also been awarded the Certificate in Governance Practice and Administration by Chartered Secretaries and Administrators.<br><br>Ms Xue is a resident of Australia. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Audit and Risk Management Committee member, Nomination and Remuneration Committee member |
| Interest in shares: | None |
| Interest in options: | None |

| | |
|---|---|
| Name: | Min Yu |
| Title: | Non-Executive Director |
| Experience and expertise: | Mr Yu has over 20 years' experience in senior management positions and 10 years' experience in international trade, minerals and metals. Mr Yu has previously held the position of General Manager of Fujian Ningde Hydropower Construction Company, and has also served as Vice-President of Beijing Fuzhou Chamber of Commerce, Vice- President of Beijing Import and Export Association and Vice-President of China Investment Association. Mr Yu graduated from the School of Economics at Xiamen University and holds an Economics and Management Major from Russia State Transport University.<br><br>Mr Yu is a resident of China. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Audit and Risk Management Committee chairperson, Nomination and Remuneration Committee chairperson |
| Interest in shares: | 18,780,000 ordinary shares |
| Interest in options: | None |

| | |
|---|---|
| Name: | Zijian Liu |
| Title: | Non-Executive Director |
| Experience and expertise: | Zijian Liu, also known as Jane Liu, has over 15 year's Chinese law practice experience with extensive experience in China-related overseas direct investment transactions. She works closely with international law firm and investment banks in advising Chinese corporates and financial institutions in their global investment projects in sectors of energy, natural resources, manufacturing, agribusiness and education. |

**Directors report (Continued)**

| | |
|---|---|
| | She holds a Master degree of Art from Tianjin Normal University and a Master of Law from Nan Kai University, China. She is also a registered foreign lawyer with Law Society of NSW.<br><br>Ms Liu is a resident of Australia. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Audit and Risk Management Committee member |
| Interest in shares: | None |
| Interest in options: | None |

| | |
|---|---|
| Name: | Kwong Yeung To (Resigned 18 January 2018) |
| Title: | Non-Executive Director |
| Experience and expertise: | Mr To graduated from the University of Hong Kong in 2000 with a bachelor of business administration in accounting and finance. Mr To is a fellow of the Association of Chartered Certified Accountants (United Kingdom), a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. He was the chief financial officer of three companies listed on the Main Board of the Stock Exchange of Hong Kong Limited from 2009 to 2016, respectively. Prior to that, Mr To worked in various positions, including senior manager, in the assurance and advisory business services department at Ernst & Young Hong Kong from 2000 to 2009.<br><br>Mr To is a resident of Hong Kong. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | Audit and Risk Management Committee member |
| Interest in shares: | None |
| Interest in options: | None |

| | |
|---|---|
| Name: | Feng Chen (appointed 26 March 2018 and resigned 9 May 2018) |
| Title | Non-Executive Director |
| Experience and expertise: | Mr. Feng Chen has 30 years of field work experience, especially in enterprise operation and management. Before becoming the Deputy chairman of Shenzhen Zhongyuan Taifu Investment Development Co., Ltd. and the director of Nanjing Kejie Analytical Instrument Co., Ltd., Mr. Feng Chen has been involved in the preparation of establishing several large shopping malls and has served as general manager in the operation of these malls. With a deep understanding of China's capital market, Mr. Chen specializes in capital operation of enterprise, and has demonstrated skills in enterprise architecture designing, M&A and reorganization of enterprises.<br>Mr. Feng Chen has an educational background in Chinese language and literature, and has completed a postgraduate business management program at the International School of Business of Nanjing University.<br><br>Mr Chen is a resident of China. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | None |
| Interest in shares: | None |

**Directors report (Continued)**

| | |
|---|---|
| Interest in options: | None |
| | |
| Name: | Geng Lin (appointed 30 October 2018) |
| Title | Non-Executive director |
| Experience and expertise: | Mr. Geng Lin has been working as the general manager in Nanjing Fuya New Building Materials Co. Ltd since 2004. He also holds the position of the Deputy President of Nanjing Brick and Tile Industry Association. Mr. Lin was granted an award of Outstanding Plant Manager by the National Brick and Tile Industry Association of China in 2016.<br><br>Mr Lin is a resident of China. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | None |
| Interest in shares: | None |
| Interest in options: | None |
| | |
| Name: | Yiguang Lin (appointed 30 October 2018) |
| Title | Non-Executive Director |
| Experience and expertise: | Mr. Yiguang Lin held the position of workshop manager in Qinghai Golmud Jinshan Iron and Steel Co. Ltd during 2004 and 2005. From 2005 to 2011 Mr. Lin served in Sichuan Shuangliu Changhong Iron and Steel Co Ltd as the manager of the operation department. Since 2011 Mr. Lin has been working for Nanjing Fuya New Building Materials Co. Ltd as its procurement manager. He is also in charge of recycling and disposal of tailings.<br><br>Mr Lin is a resident of China. |
| Other current directorships: | None |
| Former directorships (in the last 3 years): | None |
| Special responsibilities: | None |
| Interest in shares: | 510,000 ordinary shares |
| Interest in options: | None |

**Sherry Tao, Xue**

Company Secretary

Sherry has more than 20 years' experience in the financial industry in Australia, Singapore and China at senior management levels with companies including China Commodity Futures Exchange, China Galaxy Securities Corporation, Kinghing Securities Co. Ltd and one of Singapore's commercial banks.

Ms Xue has held the role of Company Secretary since May 2015.

## Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 31 December 2018, and the number of meetings attended by each director were:

| | Full Board | | Audit and Risk Management Committee | | Nomination and Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend |

**Directors report (Continued)**

| | | | | | | |
|---|---|---|---|---|---|---|
| Yuhan Chen | 2 | 2 | - | - | - | - |
| Min Yu | 2 | 2 | - | - | - | - |
| Zijian Liu | 2 | 2 | - | - | - | - |
| Sherry Tao, Xue | 2 | 2 | - | - | - | - |
| Chen Feng* | 0 | 0 | - | - | - | - |
| Kwong Yeung, To** | 0 | 0 | - | - | - | - |
| Geng Lin *** | 0 | 0 | - | - | - | - |
| Yiguang Lin *** | 0 | 0 | - | - | - | - |

**Appointed on 26 March 2018 and resigned 9 May 2018 as non-executive director*
***Resigned on 18 January 2018 as non-executive director*
****Appointed on 30 October 2018 as non-executive director*

## Corporate Governance

The Board has adopted the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring it compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

- A summary of the Company's ongoing corporate governance practices is set out annually in the Company's corporate governance statement and can be found on the Company's website at http://www.fyaasx.com/Statements_and_Policies.html.

## Remuneration Report (Audited)

The Directors of Fortune Asia Group Limited ('the Company') and controlled entities (together 'the consolidated entity') present the Remuneration Report for non-executive directors, executive directors and other key management personnel prepared in accordance with the Corporations Act 2001 and its regulations.

The Remuneration Report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration
b. Details of remuneration
c. Service agreements
d. Share-based remuneration
e. Additional disclosures relating to key management personnel
f. Other transactions with key management personnel and their related parties

**(a) Principles used to determine the nature and amount of remuneration**

The principles of the consolidated entity's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The consolidated entity has structured a remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

**Directors report (Continued)**

The remuneration structure that has been adopted by the consolidated entity consists fixed remuneration being annual salary.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The payment of bonuses, share options and other incentive payments are reviewed by the Nomination and Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

**Use of remuneration consultants**

No remuneration consultant has been engaged by the consolidated entity.

**Short term incentive (STI)**

The consolidated entity's performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the company values.

The performance measures are set annually after consultation with the directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

**(b) Details of remuneration**

The key management personnel of the consolidated entity consisted of the following directors of Fortune Asia Group Limited:

- Yuhan Chen - Executive Chairman and Managing Director
- Min Yu - Non-Executive Director
- Sherry Tao, Xue – Non-Executive Director
- Zijian Liu – Non-Executive Director
- Kwong Yeung To – Non-Executive Director (Resigned 18 January 2018)
- Feng Chen – Non-Executive Director (Appointed 26 March 2018 and resigned 9 May 2018)
- Geng Lin – Non-Executive Director (Appointed on 30 October 2018)
- Yiguang Lin – Non-Executive Director (Appointed on 30 October 2018)

And the following person:

- Sherry Tao, Xue – Company Secretary

Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP') of the consolidated entity are shown in the table below:

**Directors report (Continued)**

Director and other Key Management Personnel Remuneration

| | | Short term employee benefits | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash salary and fees ($) | Cash bonus ($) | Non-monetary benefits ($) | Post-employment benefits - Super annuation ($) | Long-term benefits ($) | Termination benefits ($) | Share-based payments ($) | Total ($) | % of remuneration that is performance based |
| Yuhan Chen | 2018 | 45,662 | - | - | 4,338 | - | - | - | 50,000 | 0% |
| | 2017 | 45,662 | - | - | 4,338 | - | - | - | 50,000 | 0% |
| Yu Min | 2018 | 30,000 | - | - | - | - | - | - | 30,000 | 0% |
| | 2017 | 30,000 | - | - | - | - | - | - | 30,000 | 0% |
| Pierre Lau | 2018 | - | - | - | - | - | - | - | - | 0% |
| | 2017 | 18,750 | - | - | - | - | - | - | 18,750 | 0% |
| Sherry Xue | 2018 | 95,000 | - | - | - | - | - | - | 95,000 | 0% |
| | 2017 | 80,000 | - | - | - | - | - | - | 80,000 | 0% |
| Zijian Liu | 2018 | 50,000 | - | - | - | - | - | - | 50,000 | 0% |
| | 2017 | 31,250 | - | - | - | - | - | - | 31,250 | 0% |
| Kwong Yeung To | 2018 | 4,167 | - | - | - | - | - | - | 4,167 | 0% |
| | 2017 | 18,549 | - | - | - | - | - | - | 18,549 | 0% |
| TOTAL | 2018 | 224,829 | - | - | 4,338 | - | - | - | 229,167 | 0% |
| | 2017 | 224,211 | - | - | 4,338 | - | - | - | 228,549 | 0% |

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| Name | Fixed remuneration $ | At risk – STI $ | At risk – Options $ |
|---|---|---|---|
| Yuhan Chen | 50,000 | - | - |
| Sherry Tao Xue | 95,000 | - | - |
| Yu Min | 30,000 | - | - |
| Kwong Yeung To | 4,167 | - | - |
| Zijian Liu | 50,000 | - | - |

**(c) Service agreements**

Remuneration and other terms of employment for the Executive Directors and other key management personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration (excl GST) are set out below:

| Name | Bases salary $ per annum | Term of agreement | Notice period |
|---|---|---|---|
| Yuhan Chen | 50,000 | Ongoing unless terminated | 6 months |
| Min Yu | 30,000 | Contingent upon re-election | Nil |
| Zijian Liu | 50,000 | Contingent upon re-election | 3 months |
| Sherry Tao Xue - Directorship | 50,000 | Ongoing unless terminated | 3 months |
| Kwong Yeung To* | 50,000 | Contingent upon re-election | 3 months |
| Feng Chen** | 0 | Contingent upon re-election | 3 months |
| Geng Lin*** | 0 | Contingent upon re-election | 3 months |
| Yiguang Lin*** | 0 | Contingent upon re-election | 3 months |
| Sherry Tao Xue - Company Secretary | 60,000 | Renewed annually unless terminated | 1 month |

**Resigned on 18 January 2018 as non-executive director*
***Appointed on 26 March 2018 and resigned 9 May 2018 as non-executive director*
**** Appointed on 30 October 2018 as non-executive director*

**Directors report (Continued)**

**(d) Share-based remuneration**

**Options granted over unissued shares**

There are no options issued by the consolidated entity.

**(e) 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 consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Other changes | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Yuhan Chen | 48,000 | - | 2,637,000 | - | 2,685,000 |
| Min Yu | 18,780,000 | - | - | - | 18,780,000 |
| Xue Tao | - | - | - | - | - |
| Zijian Liu | - | - | - | - | - |
| Kwong Yeung To | - | - | - | - | - |
| Feng Chen | - | - | - | - | - |
| Geng Lin | - | - | - | - | - |
| Yiguang Lin | - | - | 510,000 | - | 510,000 |
| | 18,828,000 | - | 3,147,000 | - | 21,975,000 |

**(f) Other transactions with key management personnel and their related parties**

*Director's loan*

| **Loans from Mr Yuhan Chen (executive director)** | **2018 $** | **2017 $** |
|---|---|---|
| Beginning of the year | 484,731 | 487,141 |
| Loans advanced | - | - |
| Repayments made | - | - |
| Interest charged | - | - |
| Fair value adjustment | - | - |
| Exchange difference | 10,298 | (2,410) |
| End of year | 495,029 | 484,731 |

| | 2018 | 2017 |
|---|---|---|
| Amounts payable to related parties at balance date were as follows: | | |
| Current liabilities | | |
| - Other payable – Yuhan Chen (director) | 495,029 | 484,731 |
| | 495,029 | 484,731 |

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

*End of audited remuneration report*

**Directors report (Continued)**

**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 has not paid a premium in respect of a contract to insure the directors and executives of the company. The Company had a Directors and Officers (D&O) liability insurance which matured on 14 June 2018. The Group have been actively talking to Australian insurance companies for the purpose of arranging D&O liability insurance for all directors and public officers, however none of them has provided a proposal to the Group at all and therefore the Company does not have an existing D&O liability insurance in place by the time of this statement. The Company endeavours to obtain a D&O liability insurance policy as soon as practical.

**Indemnity and insurance of auditor**

The company has not, during or since 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 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 any part of those proceedings.

**Non-audit services**

During the previous year, BDO Advisory (SA) Pty Ltd, a related practice of the Company's auditors, performed certain other services in addition to their statutory audit duties. Details of the amounts paid or payable to the auditor for non-audit services provided during the previous financial year by the auditor are outlined in note 11 to the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the previous year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, BDO Audit (SA) Pty Ltd, and its related practices for audit and non-audit services provided during the previous year are set out in the notes to the Financial Statements.

No non audit services were provided by BDO Audit (SA) Pty Ltd and its related practices to the Company during the current year.

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act *2001* is included in this report.

**Directors report (Continued)**

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

Yuhan Chen

Dated: 27 March 2019

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AUSTRALIA

## DECLARATION OF INDEPENDENCE
## BY ANDREW TICKLE
## TO THE DIRECTORS OF FORTUNE ASIA GROUP LIMITED

As lead auditor of Fortune Asia Group Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fortune Asia Group Limited and the entities it controlled during the period.

Andrew Tickle
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 28 March 2019

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2018

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| Revenue | | - | - |
| Other income | 2 | 1,235 | 4,436 |
| Administrative expenses | 2 | (340,657) | (344,816) |
| **Profit/(Loss) before income tax expense** | | (339,422) | (340,380) |
| Income tax expense | 3 | - | - |
| **Profit/(Loss) after income tax expense** | | (339,422) | (340,380) |
| **Other comprehensive income for the year, net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation (net of tax: Nil) | | 70,759 | (16,910) |
| Other comprehensive income/(loss) for the year | | 70,759 | (16,910) |
| **Total comprehensive loss for the year** | | (268,663) | (357,290) |
| Loss for the year is attributable to owners of Fortune Asia Group Limited | | (339,422) | (340,380) |
| Total comprehensive loss for the year is attributable to owners of Fortune Asia Group Limited | | (268,663) | (357,380) |
| Earnings per share for loss attributable to owners of the company | | **Cents** | **Cents** |
| - Basic earnings per share (cents per share) | 4 | (0.37) | (0.37) |
| - Diluted earnings per share (cents per share) | 4 | (0.37) | (0.37) |

*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 | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5 | 294,719 | 639,506 |
| Other receivables | | 30,687 | 14,475 |
| **TOTAL CURRENT ASSETS** | | 325,406 | 653,981 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 6 | 53,212 | 61,088 |
| Exploration and evaluation assets | 7 | 1,779,589 | 1,701,233 |
| **TOTAL NON-CURRENT ASSETS** | | 1,832,801 | 1,762,321 |
| | | | |
| **TOTAL ASSETS** | | 2,158,207 | 2,416,302 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 8 | 22,000 | 21,730 |
| Other payables to related parties | 8,19 | 495,029 | 484,731 |
| **TOTAL CURRENT LIABILITIES** | | 517,029 | 506,461 |
| | | | |
| **TOTAL LIABILITIES** | | 517,029 | 506,461 |
| | | | |
| **NET ASSETS** | | 1,641,178 | 1,909,841 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 9 | 4,128,145 | 4,128,145 |
| Foreign exchange reserve | | 92,995 | 22,236 |
| Retained profits/(Accumulated losses) | | (2,579,962) | (2,240,540) |
| **TOTAL EQUITY** | | 1,641,178 | 1,909,841 |

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

| | Contributed equity<br>$ | Foreign exchange reserve<br>$ | Retained Profits<br>$ | Total<br>$ |
|---|---|---|---|---|
| Balance at 1 January 2017 | 4,128,145 | 39,146 | (1,900,160) | 2,267,131 |
| Loss for the year | - | - | (340,380) | (340,840) |
| *Other comprehensive income/(loss):* | | | | |
| Foreign currency translation reserve differences | - | (16,910) | - | (16,910) |
| *Total comprehensive income/(loss)* | - | (16,910) | (340,380) | (357,290) |
| Balance at 31 December 2017 and 1 January 2018 | 4,128,145 | 22,236 | (2,240,540) | 1,909,841 |
| Loss for the year | - | - | (339,422) | (339,422) |
| *Other comprehensive income/(loss):* | | | | |
| Foreign currency translation reserve differences | - | 70,759 | - | 70,759 |
| *Total comprehensive income/(loss)* | - | 70,759 | (339,422) | (268,663) |
| Balance at 31 December 2018 | 4,128,145 | 92,995 | (2,579,962) | 1,641,178 |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (346,028) | (334,581) |
| **Net cash (outflows) from operating activities** | 13 | (346,028) | (334,581) |
| **Cash flows from investing activities** | | | |
| Interest received | | 1,235 | 4,436 |
| Cash payments to acquire exploration and evaluation assets | | - | (42,968) |
| **Net cash inflow/(outflow) from investing activities** | | 1,235 | (38,532) |
| **Cash flows from financing activities** | | | |
| **Net cash (outflows) from financing activities** | | - | - |
| **Net increase/(decrease)in cash and cash equivalents** | | (344,793) | (373,113) |
| **Cash and cash equivalents at the beginning of financial year** | | 639,506 | 1,012,622 |
| **Effects of exchange rate changes on cash and cash equivalents** | | 6 | (3) |
| **Cash and cash equivalents at end of financial year** | 5 | 294,719 | 639,506 |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# Notes to the Financial Statements for the Financial Year Ended 31 December 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Fortune Asia Group Limited and its controlled entities. Fortune Asia Group Limited is a company limited by shares, incorporated and domiciled in Australia.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars which is Fortune Asia Group Limited's functional and presentation currency.

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

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 March 2019 by the Directors.

**Significant accounting policies**

*a.* *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Fortune Asia Group Limited ('company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the year then ended. Fortune Asia Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are entities (including structured entities) over which the group has control. The group has control over 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 use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Refer to the 'business combinations' accounting policy for further details. 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 consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity 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 consolidated entity 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.

*b. Business combinations*

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets

# Notes to the Financial Statements for the Financial Year Ended 31 December 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

*c. Income Tax*

The income tax expense (benefit) for the year comprises current income tax expense/(income) and deferred income tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

*d. Other receivable*

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

*e. Property, Plant and Equipment*

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

*Property, plant and equipment*

Property, plant and equipment are measured on the cost basis. The carrying amount of property, plant and equipment is reviewed annually by the directors and management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

*Depreciation*

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

*Plant and equipment 10%*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

# Notes to the Financial Statements for the Financial Year Ended 31 December 2018

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*f. Exploration and Evaluation Assets*

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

*g. Financial Instruments*

*Adoption of AASB 9*

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 January 2018. There were no material impacts on the comparative balances other than a change in classification. There was no impact on hedging as the Group does not currently apply hedge accounting. The effects of adopting AASB 9 are set out below:

(a) Classification and measurement

Under AASB 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under AASB 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income. For debt instruments, the classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both these tests are satisfied. The assessment of the Group’s business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

(b) Financial Instruments

The adoption of AASB 9 did not result in a significant change to the recognition or measurement of financial instruments for the Group as presented in the financial report. The following categories of financial asset and liability required no classification or measurement adjustments as a result of adopting AASB 9:

- Cash and cash equivalents;
- Trade and other receivables - this category only includes simple debt instruments where the business model is to collect contractual cash flows and consequently amortised cost has continued to be applied. No lifetime expected credit loss adjustments were considered necessary, and;

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Trade and other payables - subsequent measurement continues to be at amortised cost.

(c) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECL's for all debt instruments not held at fair value through profit or loss and contract assets in the scope of AASB 15.

The Group has reviewed and assessed the existing financial assets for impairment and the change to a forward-looking ECL approach did not have any material impact on the amounts recognised in the financial statements.

*h. Impairment of Non-Financial Assets*

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

*i. Revenue recognition*

Interest income from financial assets held at amortised cost has been calculated using the effective interest method and has been recognised in the statement of profit or loss and other comprehensive income as financial income, which is a part of other income.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for the Company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

All revenue is stated net of the amount of goods and services tax.

*j. Provisions*

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

*k. 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.

*l. Trade and other payables*

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services and director loans received by the consolidated entity which remains unpaid.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*m.* *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.

*n.* *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.

*o.* *Foreign Currency Transactions and Balances*

*Functional and presentation currency*

The functional currency of each entity within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity’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.

*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 rate at the date of the transaction, 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.

*p.* *Critical Accounting Estimates and Judgments*

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 consolidated entity 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.

*Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity 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 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.

*q.* *New, revised or amending Accounting Standards and Interpretations adopted*

The consolidated entity 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.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

## 2. REVENUE AND EXPENSES

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| a.) **Other Income** | | |
| Interest income | 1,235 | 4,436 |
| b.) **Administrative Expenses** | | |
| Bank charges | 489 | 596 |
| Travelling expenses | 4,595 | 4,996 |
| Legal fees | 34,000 | 7,318 |
| Audit and accounting fees | 32,763 | 37,068 |
| Insurance expenses | - | 7,516 |
| Employee benefits expenses | 230,674 | 228,549 |
| Other professional fees | 8,893 | 22,889 |
| Regulators fees | 17,239 | 18,550 |
| Depreciation expenses | 10,570 | 10,084 |
| Other administration expense | 1,434 | 7,250 |
| Total administrative expenses | 340,657 | 344,816 |

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 3. INCOME TAX EXPENSE

The major components of tax expense and the reconciliation of the expected tax expense based on the effective tax rate of the consolidated entity and the reported tax expense in profit or loss are as follows:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Income tax expenses | - | - |
| Loss before tax | (339,422) | (340,380) |
| Tax rate | 27.5% | 27.5% |
| Prima facie income tax expenses/(benefit) at 27.5% | (93,341) | (93,605) |
| Difference in overseas tax rates | 266 | 254 |
| Expected income tax expenses/(benefit) | (93,075) | (93,351) |
| Temporary tax differences not brought to account | 93,075 | 93,351 |
| Actual income tax expense (benefit) | - | - |

The Australian tax rate is 27.5% (2017: 27.5%). The Chinese income tax rate is 25% (2017: 25%).

*Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Unused tax losses for which no deferred tax asset has been recognised | 2,579,962 | 2,240,540 |

Management does not believe it is appropriate to recognise the deferred tax assets as the activities of the consolidated entity have not reached a stage of maturity that enables their recovery to be probable.

### 4. EARNINGS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Profit/(Loss) attributable to the owners used to calculate basic EPS and dilutive EPS | (339,422) | (340,380) |
| | Number | Number |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and dilutive EPS | 91,000,000 | 91,000,000 |
| | Cents | Cents |
| Basic earnings per share | (0.37) | (0.37) |
| Diluted earnings per share | (0.37) | (0.37) |

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 5. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Cash on hand and at bank | 294,719 | 639,506 |
| | 294,719 | 639,506 |

### 6. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Plant and equipment** | | |
| At cost | 117,410 | 112,112 |
| Accumulated depreciation | (64,198) | (51,024) |
| Total plant and equipment | 53,212 | 61,088 |
| Total property, plant and equipment | 53,212 | 61,088 |

<u>Movement in carrying amounts</u>

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Plant and equipment | Total |
|---|---|---|
| Opening balance at 1 January 2018 | 61,088 | 61,088 |
| Additions | - | - |
| Depreciation expense | (10,570) | (10,084) |
| Foreign exchange differences | 2,694 | 2,694 |
| Closing balance at 31 December 2018 | 53,212 | 53,212 |

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 7. EXPLORATION AND EVALUATION ASSETS

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Costs carried forward in respect of areas of interest: | | |
| Exploration and evaluation phase | 1,779,589 | 1,701,233 |
| A reconciliation of the carrying amount of exploration and evaluation phase expenditure is set out below: | | |
| Costs brought forward | 1,701,233 | 1,676,600 |
| Impairment charges | - | - |
| Expenditure capitalised during the year | - | 42,968 |
| Foreign exchange differences | 78,356 | (17,735) |
| | 1,779,589 | 1,701,233 |

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively, sale of the respective areas of interest.

### 8. TRADE AND OTHER PAYABLES

| | | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| Current | | | |
| - Other payables and accruals | | 22,000 | 21,730 |
| - Other payables to related parties | Note 18(b) | 495,029 | 484,731 |
| | | 517,029 | 506,461 |

### 9. ISSUED CAPITAL

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| *(a) Contributed Equity* | | |
| Issued share capital | 4,500,100 | 4,500,100 |
| Additional capital contribution | 320,544 | 320,544 |
| Less transaction costs arising on share issue | (692,499) | (692,499) |
| | 4,128,145 | 4,128,145 |

# Notes to the Financial Statements for the Financial Year Ended 31 December 2018

## 9. ISSUED CAPITAL (CONTINUED)

**Issued share capital**

| | 2018 Shares | 2017 Shares | 2018 $ | 2017 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 91,000,000 | 91,000,000 | 4,500,100 | 4,500,100 |

| | Number of shares | |
|---|---|---|
| | 2018 | 2017 |
| Opening balance | 91,000,000 | 91,000,000 |
| Shares issue during the period | - | - |
| Closing balance | 91,000,000 | 91,000,000 |

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.

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.

*(b) Capital Management*

The consolidated entity'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. In order to do so, management effectively manages the capital, being the contributed equity of the consolidated entity by assessing the financial risks and adjusting the capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital during the year.

## 10. FINANCIAL INSTRUMENTS

***Financial risk management objectives***

The consolidated entity'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 consolidated entity'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 consolidated entity.

Risk management is carried out by management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Management identifies, evaluates and hedges financial risks within the consolidated entity's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of financial instruments and investment of excess liquidity where appropriate.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

The consolidated entity's financial instruments consist mainly of:

| | Consolidated | |
|---|---|---|
| | 2018 | 2017 |
| Cash and cash equivalents | 294,719 | 639,506 |
| Trade and other receivables | 30,687 | 14,475 |
| | 325,406 | 653,982 |
| Trade and other payables | 22,000 | 21,730 |
| Other payables to related parties | 495,029 | 484,731 |
| | 517,029 | 506,461 |

*(a) Market Risk*

*(i) Foreign exchange risk*

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. The consolidated entity does not have significant balances denominated in currency other than the functional currency of the respective companies within the consolidated entity nor does it have significant exposure to foreign exchange risk.

*(ii) Price Risk*

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange or interest rate risk). The consolidated entity is not exposed to any material price risk.

*(iii) Interest rate risk*

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities.
The consolidated entity's exposure to interest rate risk is low as it relates principally to its short term deposits placed with financial institutions in which the impact of +/- 5% in interest rates will not have a significant impact on the Company's profit and equity. The consolidated entity does not currently have any interest bearing financial liabilities.

*(b) Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity.
There are no significant concentrations of credit risk for receivables, whether through exposure to individual customers, specific industry sectors and/or regions. No receivable balance was considered impaired at the end of the reporting period. Cash and cash equivalents are held with financial institutions with a minimum independent credit rating of 'A' to mitigate the credit risk.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 10. FINANCIAL INSTRUMENTS (CONTINUED)

*(c) Liquidity risk*

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The consolidated entity 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 consolidated entity'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.

| Consolidated – 2018 | Weighted average interest rate<br>% | 1 year or less<br>$ | Between 1 and 2 years<br>$ | Over 2 years | Total contractual cash flows<br>$ | Carrying amount (assets)/ liabilities<br>$ |
|---|---|---|---|---|---|---|
| Non-derivatives | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | -% | 22,000 | - | - | 22,000 | 22,000 |
| Other payables to related party | -% | 495,029 | - | - | 495,029 | 495,029 |
| | | | | | | |
| Consolidated - 2017 | | | | | | |
| Non-derivatives | | | | | | |
| Non-interest bearing | | | | | | |
| Trade and other payables | -% | 21,730 | - | | 21,730 | 21,730 |
| Other payables to related party | -% | 484,731 | - | - | 484,731 | 484,731 |

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

### 11. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by BDO Audit (SA) Pty Ltd the auditor of the consolidated entity or their related practices.

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Audit services | 32,763 | 32,185 |
| Tax compliance and advisory services | - | 4,883 |
| | 32,763 | 37,068 |

# Notes to the Financial Statements for the Financial Year Ended 31 December 2018

## 12. RECONCILIATION OF NET LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES:

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Net (loss) after income tax for the year | (339,422) | (340,380) |
| Less interest income | (1,235) | (4,436) |
| Adjustments for non-cash items | | |
| - Non-cash flows - depreciation | 10,570 | 10,084 |
| (Increase)/decrease in other receivable | (10,677) | 2,654 |
| (Increase)/decrease in prepayments | (5,534) | (3,633) |
| Increase/(decrease) in other payable | 270 | 1,130 |
| Net operating cash flows | (346,028) | (334,581) |

## 13. COMMITMENTS FOR EXPENDITURE

*Exploration Expenditure Commitments*

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity.

There were no expenditure commitments for the consolidated entity at the end of the reporting period in respect of minimum expenditure requirements not provided for in the financial statements.

## 14. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities as at 31 December 2018 and 31 December 2017.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 15. CONTROLLED ENTITIES

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(a):

| | Country of incorporation | 2018 | 2017 |
|---|---|---|---|
| Horizon Mining Group Co., Limited | Hong Kong | 100% | 100% |
| Subsidiary of Horizon Mining Group Co., Limited: | | | |
| - Fujian Sanming Longhui Industry & Trade co., LTD | China | 100% | 100% |
| Subsidiary of Fujian Sanming Longhui Industry & Trade co., LTD: | | | |
| - Jinwo Datong Mining Co., LTD of Yining city | China | 100% | 100% |

There was no deed of cross guarantee entered by the parent entity and its subsidiaries as at 31 December 2018 or 31 December 2017 respectively.

### 16. SEGMENT REPORTING

The consolidated entity is organised into one single operating segment, being mining and exploration in Xinjiang Autonomous Region of the People's Republic of China. All non-current assets are held under Fujian Sanming Longhui Industry & Trade Co., Ltd, the Chinese operating entity located in the People's Republic of China. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

### 17. EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

# Notes to the Financial Statements for the Financial Year Ended 31 December 2018

## 18. RELATED PARTY TRANSACTIONS

*Parent entity*
Fortune Asia Group Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 15.

*(a) Key management personnel compensation*

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

| | Consolidated | |
|---|---|---|
| | **2018** **$** | **2017** **$** |
| Short-term employee benefits | 224,829 | 224,211 |
| Post-employment benefits | 4,338 | 4,338 |
| Long-term benefits | - | - |
| Share-based payments | - | - |
| | 229,167 | 228,549 |

*(b) Director's loan*

**Loans from Mr Yuhan Chen (executive director)**

| | | |
|---|---|---|
| Beginning of the year | 484,731 | 487,141 |
| Loans advanced | - | - |
| Loan repayments made | - | - |
| Interest charged | - | - |
| Exchange difference | 10,298 | (2,410) |
| End of year | 495,029 | 484,731 |

Amounts payable to related parties at balance date were as follows:

| | | |
|---|---|---|
| Current liabilities | | |
| - Other payable – Yuhan Chen (director) | 495,029 | 484,731 |
| | 495,029 | 484,731 |

Payable balances to related parties are non-interest bearing. The consolidated entity no longer has an unconditional right to defer settlement of the liability for 12 months after the reporting date, as the balance is now payable on demand. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 19. PARENT ENTITY INFORMATION

*Statement of financial position*

| | Parent 2018 $ | 2017 $ |
|---|---|---|
| Total current assets | 325,406 | 653,914 |
| **Total assets** | 2,137,944 | 2,843,107 |
| Total current liabilities | 496,766 | 496,496 |
| **Total liabilities** | 496,496 | 496,496 |
| **Equity** | | |
| Contributed Equity | 3,807,601 | 3,807,601 |
| Retained profits / (Accumulated losses) | (2,166,423) | (1,897,760) |
| **Total equity** | 1,641,178 | 1,909,841 |

*Statement of profit or loss and other comprehensive income*

| | Parent 2018 $ | 2017 $ |
|---|---|---|
| **Profit/(Loss) for the year** | (705,432) | (767,000) |
| **Total comprehensive income** | (706,432) | (767,000) |

The parent entity has no contingent liabilities or commitments as at 31 December 2018 (2017: nil). The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

## Notes to the Financial Statements for the Financial Year Ended 31 December 2018

### 20. GOING CONCERN

The annual financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. This includes the realisation of capitalised exploration and evaluation expenditure of $1,779,589 (31 December 2017: $1,701,233).

The consolidated entity has incurred a net loss after tax for the year ended 31 December 2018 of $339,422 (December 2017: $340,380) and operations were funded by a net cash outflow of $344,793 (31 December 2017: Cash outflow of $373,113).

The consolidated entity's ability to continue as a going concern is contingent on raising additional capital, access to financing through shareholders and/or the successful exploration and subsequent exploitation of its areas of interest through sale or development.

The matters set out above indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The annual financial report does not include any adjustments that may be necessary if the consolidated entity is unable to continue as a going concern.

### 21. COMPANY DETAILS

The registered office and principal place of business of Fortune Asia Group Limited is:

Suite 525, 377 Kent Street, Sydney, NSW 2000, Australia

**Director's declaration**

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

Director
Yuhan Chen

Dated this 27 of March 2019

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF FORTUNE ASIA GROUP LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Fortune Asia Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) 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 *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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 20 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. 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.

**Recoverability of Exploration & Evaluation Assets**

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2018 the carrying value of Exploration and Evaluation Assets was $1,779,589.<br>The recoverability of the exploration and evaluation assets was considered a key audit matter because:<br>▶ It represents a significant asset of the Group and we considered it necessary to assess whether any facts and circumstances existed to suggest that the carrying value of this asset may exceed the recoverable amount;<br>▶ The Group's exploration tenements are located in China; and<br>▶ AASB 6 Exploration for and Evaluation of Mineral Resources requires and annual assessment to be made of the entity's ability to carry forward exploration and evaluation assets and this involves significant judgement by management. | Our procedures included, but were not limited to:<br>▶ Confirming that Group has maintained the tenements in good standing and is considered to have the rights to tenure;<br>▶ Reviewing budgets and making additional enquiries of management and the directors to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the remaining area of interest is planned;<br>▶ Reviewing minutes of directors' meetings to ensure that the Group had not decided to discontinue activities in its remaining area of interest; and<br>▶ Considering whether any facts or circumstances existed to suggest impairment testing was required.<br>We also assess the adequacy of the related disclosures in Note 1 (f), 1 (h), 1 (p) and 7 to the financial statements. |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the 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 ability of the group 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 has 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

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 10 to 13 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Fortune Asia Group Limited, for the year 31 December 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.

BDO

**BDO Audit (SA) Pty Ltd**

Andrew Tickle
Director

Adelaide, 28 March 2019

# ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

**SHAREHOLDINGS (as at 18 March 2019)**

**Ordinary Share Capital**

91,000,000 fully paid ordinary shares are held by 302 individual shareholders.

**Options**

There are no unlisted options.

**Class of shares and voting rights**

1. at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
2. on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

**On-market buy-back**

There is no current on-market buy-back.

**Distribution of listed equity securities**

| Category (number of shares) | Number of Shareholders |
|---|---|
| 1 – 1,000 | 1 |
| 1,001 – 5,000 | 4 |
| 5,001 – 10,000 | 201 |
| 10,001 – 100,000 | 57 |
| 100,001 and over | 39 |

**Substantial Shareholdings**

At 18 March 2019, the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

| | Ordinary Shares | % |
|---|---|---|
| YANRONG CHEN | 17,716,600 | 19.469% |
| JINCAN LIN | 16,372,400 | 17.992% |
| MR MIN YU | 14,326,000 | 15.743% |
| SHUE XIE | 5,690,000 | 6.253% |
| MR CHIEN-CHIH KAO | 5,189,826 | 5.703% |
| RUEI YU INDUSTRIES CO LTD | 4,454,000 | 4.895% |
| YU ZOU | 4,000,000 | 4.396% |

### Twenty largest shareholders as at 18 March 2019

| Name | Number of shares hold | Percentage of shares hold |
|---|---:|---:|
| YANRONG CHEN | 17,716,600 | 19.469% |
| JINCAN LIN | 16,372,400 | 17.992% |
| MR MIN YU | 14,326,000 | 15.743% |
| SHUE XIE | 5,690,000 | 6.253% |
| MR CHIEN-CHIH KAO | 5,189,826 | 5.703% |
| RUEI YU INDUSTRIES CO LTD | 4,454,000 | 4.895% |
| YU ZOU | 4,000,000 | 4.396% |
| YUHAN CHEN | 2,685,000 | 2.951% |
| CHIEN-CHIH KAO | 2,000,000 | 2.198% |
| MR WEIHUA WENG | 1,830,000 | 2.011% |
| JIANQING LU | 1,060,000 | 1.165% |
| SHUPING LI | 1,000,000 | 1.099% |
| QINGTAO LIAN | 1,000,000 | 1.099% |
| FEI LIN | 950,000 | 1.044% |
| MR GUOGUANG ZHANG | 920,000 | 1.011% |
| YOUTIAN XU | 800,000 | 0.879% |
| ZICAI WU | 760,000 | 0.835% |
| PING SHI | 650,000 | 0.714% |
| YIGUANG LIN | 560,000 | 0.615% |
| XIUMEI QU | 500,000 | 0.549% |
| | | |
| Total | 82,463,826 | 90.620% |