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ANNUAL REPORT 2019

Powering business between **East** and **West**

ASF

Dear Shareholders,

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

During the course of the year, business travels take me between our offices in Hong Kong, Sydney, London and areas of China and the European Union quite often, reaching out to our shareholders, clients, and networks, building and nurturing relationships. Quite often, what I’ve discovered is people are uneasy with the uncertainty that exists in the financial markets today, prompted by the geopolitical turbulence between China and the US, China with Australia, and other countries.

As a long-term optimist, I believe opportunities arise out of uncertain times like these. Some of the political and economic headwinds can help play a pivotal role in establishing a better growth trajectory for our Company.

It is against this backdrop that we saw opportunities this past year.

We saw opportunity to partner with innovators and incubate high growth businesses. One example is our investment in SYTECH technologies which holds a Chinese patent. We’ve successfully driven the setup and growth of this innovative technology for the auto industry. Furthermore, shortly after the financial year came to a close, we invested into a new biotech company in the UK spearheading the development of 3D bio tissues. And finally, in partnership with Southmore Capital, an Australian venture capital firm located in Adelaide, we’re finalising the establishment of a Venture Fund which will seek to make investments into qualified Australian early stage opportunities.

We saw opportunity to bring in investors seeking better returns. One example is the Dawson West Project, a thermal coal development project in Queensland, which has reached MDL approval for a 250,000 tonne test pit and with a bit more investment is within striking distance from production in the Bowen Basin. Another example is Rey Resources which holds very large reserves of ready to drill recoverable gas in Western Australia. Both are investor ready.

We saw opportunity in property development, sales and management. Hope Island continues to be a shining example, where Phases I and II are complete and Phase III is on the way. Our major infrastructure project called Castle Green in London, UK is progressing in partnership with the London Borough of Barking & Dagenham. This is despite the headwinds from an uncertain Brexit.

As you can see, we are well positioned to benefit from these opportunities in a time of change. They serve as the foundation of our future growth and will deliver long term value to our shareholders.

I want to wholeheartedly thank all our loyal shareholders, clients, directors, employees and consultants for being on the journey with us. More than ever, we are fully committed to a path of continuous innovation and value creation for our shareholders and clients. This is what empowers us on every level.

This coming year will be our 15th year in business, quite a milestone to get to where we are today. Together, let’s make this coming year the greatest ever!

Yours sincerely,

Min Yang
Chairman

27 September 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ASF Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

Ms Min Yang - Chairman
Mr Nga Fong (Alex) Lao
Mr Quan (David) Fang
Mr Wai Sang Ho
Mr Geoff Baker
Mr Chi Yuen (William) Kuan
Mr Louis Li Chien

Principal activities

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

Dividends

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

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to $2,963,000 (30 June 2018: $631,000).

Financial results and commentary

For the year ended 30 June 2019, the owners of ASF Group Limited (‘the Company’) and its controlled entities (the ‘Group’) recorded a consolidated loss after tax of $2,963,000, compared with last year of $631,000.

Revenue from continuing operations for the year was $1,050,000 (2018: $1,302,000). Sales and marketing of the Hope Island continued to provide revenue contribution to the Group. Commission revenue from the project amounted to $319,000. In addition to the Hope Island project, the Group also provides development management services for another property development project - ‘the Au, Surfers Paradise’ on the Gold Coast, which is expected to generate further revenue for the Group in the upcoming years.

During the year, the Company realised its investment in ASF Technologies Ltd (“ASFT”) by selling 27% of its interest in ASFT to Magic Goal Investments Limited (“MGI”) for a cash consideration of $2.7 million. Subsequent to the end of the financial year-end, the Company disposed of 13.57% interest in ASFT to MGI for $1.357 million.

The majority of the loss for the year was attributed to the following:
- Write off of tenement assets of $568,000
- Impairment of listed investment of $817,000;
- Share of losses of associates of $1,700,000; and
- Interest expenses and other finance costs $1,865,000.

Financial position

In January 2019, the Company undertook a non-underwritten share purchase plan and a share placement which together raised a total of $9,309,000. Upon completion of the capital raisings, the Company had, in March 2019, repaid the $6 million convertible note issued to Oceanic Alliance Investments Limited together with accrued interest in full.

As of 30 June 2019, the Company has a total of $20 million in convertible loan facilities ("CN") granted by Star Diamond Developments Limited of which $15 million had been drawn down. The maturity date of the CN has been extended to 31 October 2020. Finance costs amounted to $1,865,000 (2018: $2,005,000) representing interest on the CN.

The Company's on-market share buyback program has been extended for a further 12 months from 5 June 2019. During the financial year, the Company bought back 810,605 shares for a cost of $82,000.

Net assets at 30 June 2019 increased by 127% to $8,061,000, as compared to $3,542,000 last year.

The Group maintains a strong financial position with a cash balance of $4,929,000 as at the balance sheet date.

Principal Investments

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

The Group holds 19.62% of the issued capital of AIV at a book value of $1.4 million, compared with its market value of $6.8 million as of 30 June 2019.

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

As at 30 June 2019, the Group holds 16.34% of the issued capital of REY at a book value of $9.6 million, compared with its market value of $10.7 million as at the balance sheet date.

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

As at 30 June 2019, the Group holds 14.27% of the issued capital of KEY with a market value of $885,000.

Kaili Resources Limited ("KLR")
KLR is a resources exploration company which holds tenements in QLD and Western Australia. The Group holds 2.2 million shares in KLR with a market value of $79,000 as at 30 June 2019.

Civil & Mining Resources Pty Ltd ("CMR")
CMR, trading as CMR Coal, is a privately owned company with a substantial coal tenement portfolio in Queensland. CMR's tenements are located throughout all the major coal-bearing basins in Queensland and are situated in close proximity to operating mines, infrastructure and proven economic coal resources. The major assets of CMR comprise of 11 Exploration Permits for Coal (EPCs), 1 Mineral Development Licence (MDL) and 2 Mining Lease Applications (MLAs) in Queensland.

CMR has successfully completed 48 boreholes on their key project Dawson West, with a total of 10,940m drilled, geophysical logged selectively cored, sampled and analysed, which has confirmed export quality thermal coal resources with seams of mineable thickness expected to extend into unexplored areas. CMR has defined a JORC[2012] code compliant resource, with a total of 852Mt (184Mt Indicated, 688Mt Inferred resource).

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

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

As at 30 June 2019, the company together with its subsidiary, ASF Resources Limited, held 68.97% of the issued share capital of CMR.

ASF Technologies Ltd (“ASFT”)
On 3 October 2018, the Company announced that ASFT, the then wholly owned subsidiary incorporated in Hong Kong which has been developing the SYTECH technologies and is the holder of the Chinese Patent, entered into a Framework Agreement with Crystal Profit Ventures Limited (“CPV”) where subsequently on 23 November 2018, the Company announced that ASFT received a total of A$4 million from CPV and issued 40% of the issued share capital of ASFT to CPV.

On 30 April 2019, the Company announced that it disposed of 27% interest in ASFT to Magic Goal Investments Limited (“MGI”) for a cash consideration of $2.7 million. Immediately after the acquisition of this interest, MGI had subscribed for an additional $4 million new shares then holding an interest of 47.86% in ASFT.

Subsequent to the financial year ended 30 June 2019, the Company announced on 16 July 2019 that it has disposed of 13.57% interest in ASFT to MGI for a cash consideration of $1,357,000. As a result, the Company’s interest in ASFT was reduced to 10% after completion of the aforesaid transactions.

Property Marketing and Services

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

ASFP has undertaken development management roles on a number of projects, such as a waterfront development project named ‘The Peninsula, Hope Island’ which is situated at Hope Island, Gold Coast. The Peninsula, Hope Island, which includes 45 house lots, 27 town houses and 115 apartments across three buildings, is Gold Coast’s very last waterfront development released at the exclusive Hope Island Resort. The Stage II development of the project including 17 town houses and one block of 40 apartments has been fully completed. Another project is ‘the Au, Surfers Paradise’ on the Gold Coast, which is located right on Main Beach and consists of 14 luxury residential units, two triple-level penthouse apartments with private swimming pools and 12 single floor apartments. It is expected that these projects will continue to provide revenue contribution to ASFP in the years ahead.

Fund Management and Advisory Services

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

ASF Capital operates with an Australian Financial Services Licence and assists businesses with entry and/or expansion in Australia. ASF Capital has the capability to form any number of tailor-made wholesale funds to capture a diverse array of investment opportunities including infrastructure, real estate, mining and technology.

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

One of the funds is a Venture Fund which seeks to make investments into Australian early stage venture technologies and platforms offered by qualified Venture Capital Limited Partnerships("VCLP") in strategic collaboration with an Australian venture capital firm. The VCLP has been granted conditional registration by Department of Industry, Innovation and Science since 28 May 2019. The strategic collaboration will broaden opportunities in funds offerings, funds management and marketing reach.

On 17 May 2019, the Company announced that it has acquired the remaining 40.49% interest in ASF Capital from the shareholder resulting in ASF Capital becoming a wholly owned subsidiary of the Company.

Castle Green, London

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

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 16 July 2019, the Company announced that it has disposed of 13.57% interest in ASFT to MGI for a cash consideration of $1,357,000.

On 13 August 2019, the Company announced that it has invested into a new biotech opportunity in the UK. A company to be called 3D Bio-Tissues Ltd will be formed and the Company will over time take its investment up to 49% equity interest.

No other matters or circumstances that have arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

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

Name:	Mr Nga Fong (Alex) Lao
Title:	Vice Chairman and Non-Executive Director
Experience and expertise:	Mr Lao is the managing director of ASF Macau Multinational Holdings Limited and is in charge of the operations of Multinational Youth Travel Agency Limited. Mr Lao resides in Macau where he has business interests in property, travel and retail industries and is Chairman of the Macau Travel Agency Association.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	18,026,525 ordinary shares

Name:	Mr Quan (David) Fang
Title:	Director
Experience and expertise:	Mr Fang was born in Shanghai. He is multilingual, speaking Mandarin, Shanghai dialect, Cantonese and English. Mr Fang has extensive experience in the property sector covering property sales/marketing development, acquisition, and syndication.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Direct interest in 10,000 ordinary shares and indirect interest in 86,914,266 ordinary shares held by FY Holdings Limited which is jointly controlled by Ms Yang and Mr Fang.

Name:	Mr Wai Sang Ho
Title:	Non-executive director
Experience and expertise:	Mr Ho is a Hong Kong resident and a large property developer in Southern China. He has substantial property interests in Hong Kong and China.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	44,808,270 ordinary shares

Name:	Mr Geoff Baker
Title:	Director
Qualifications:	Mr Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial Management), a Law degree and Master of business administration (MBA).
Experience and expertise:	Mr Baker assists in the international operations of the Group. He joined the Group after practising extensively for 30 years as a lawyer in Australia, Japan, Asia and China.
Other current directorships:	Non-executive director of Rey Resources Limited (ASX: REY), ActivEX Limited (ASX: AIV) and Key Petroleum Limited (ASX: KEY). Director of BSF Enterprise PLC (BSFA:LSE).
Former directorships (last 3 years):	Non-executive director of Metaliko Resources Ltd (ASX: MKO) - resigned 9 January 2017
Special responsibilities:	Chairman of the Audit Committee
Interests in shares:	Indirect interest in 7,734,517 ordinary shares held by Gold Star Industry Ltd, a related entity

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

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

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

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Ms Min Yang - Chairman	4	4	-	-
Mr Nga Fong (Alex) Lao	-	4	-	-
Mr Quan (David) Fang	4	4	-	-
Mr Wai Sang Ho	4	4	-	-
Mr Geoff Baker	4	4	2	2
Mr William Kuan	4	4	-	-
Mr Louis Chien	3	4	2	2

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

Remuneration report (audited)

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

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

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

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

Non-executive directors' remuneration

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

Executive remuneration

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

The executive remuneration and reward framework has the following components:

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

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

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

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

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

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

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

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

Group's performance and link to remuneration

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

Use of remuneration consultants

During the financial year ended 30 June 2019, the Group did not use any remuneration consultants.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')

At the 2018 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices and received unanimous approval on the adoption of its remuneration report.

Details of remuneration

Amounts of remuneration

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

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

- Nicholas Williams - Director of Resources

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	**Cash salary and fees $**	**Bonus $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity-settled $**	**Total $**
Min Yang	292,362	-	-	3,280	-	-	295,642
David Fang	174,908	-	-	3,280	-	-	178,188
Geoff Baker	303,908	-	-	3,280	-	-	307,188
William Kuan	175,264	-	-	16,150	6,232	-	197,646
Louis Chien	392,349	-	-	8,455	1,410	-	402,214
Other Key Management Personnel:							
Nicholas Williams	160,002	-	-	-	-	-	160,002
	1,498,793	-	-	34,445	7,642	-	1,540,880

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

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

Nga Fong (Alex) Lao and Wai Sang Ho did not receive any remuneration during 2019 and 2018 financial year.

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

Name	Fixed remuneration 2019	 2018	STI 2019	 2018
Executive Directors:				
Min Yang	100%	100%	-	-
David Fang	100%	100%	-	-
Geoff Baker	100%	100%	-	-
William Kuan	100%	100%	-	-
Louis Chien	100%	100%	-	-
Yong Jiang	-	100%	-	-
Other Key Management Personnel:				
Nicholas Williams	100%	100%	-	-

Service agreements

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

Name:	Min Yang
Title:	Director and Chairman
Agreement commenced:	1 October 2012
Term of agreement:	Open ended
Details:	An employment contract exists between Ms Yang and ASF (Hong Kong) Limited (a subsidiary of the Group) which was entered on 1 October 2012. Ms Yang receives fixed remuneration of HK$120,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice. From 1 January 2014, a consultancy agreement has existed between Civil & Mining Resources Pty Ltd (a subsidiary of the Group) and the director's related entity, Luxe Hill Ltd. A consulting fee is payable of A$2,500 per month. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

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

Name:	Geoff Baker
Title:	Director
Agreement commenced:	1 August 2012
Term of agreement:	Open ended
Details:	An employment contract exists between Mr Baker and ASF (Hong Kong) Limited (a subsidiary of the Group). Mr Baker receives a fixed remuneration of HK$80,000 per month. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice. A consultancy contract exists between the Group and the director's related entity, Gold Star Industry Limited. A consulting fee of A$9,500 per month is payable. From 1 January 2014, a consultancy agreement exists between Civil & Mining Resources Pty Ltd (a subsidiary of the Group) and the director's related entity, Gold Star Industry Limited. A consulting fee of A$1,250 per month is payable. The contract maybe terminated at any time by either party giving to the other party not less than 3 months prior written notice.

Name:	Chi Yuen (William) Kuan
Title:	Executive Director and Company Secretary
Agreement commenced:	1 February 2010
Term of agreement:	Open ended
Details:	Mr Kuan is employed by the Group under an employment agreement. Mr Kuan receives fixed remuneration of A$14,167 per month plus superannuation. The contract may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

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

Name:	Nicholas Williams
Title:	Director of Resources
Agreement commenced:	1 December 2013
Term of agreement:	6 years and 59 days
Details:	A Service Agreement dated 3 December 2013 (as amended by Deed of Variation dated 29 April 2015) exists between the Group and Exploration Project Management Pty Ltd, a related entity of Mr Nicholas Williams. A consulting fee of A$13,333.50 per month is payable. The contract may be terminated at any time by either party giving to the other party not less than 3 months prior written notice.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that was outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional information

The earnings of the Group for the five years to 30 June 2019 are summarised below:

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Sales revenue	1,050	1,302	877	1,119	639
Profit (Loss) after income tax	(2,963)	(631)	(19,530)	(15,253)	(14,226)
Net equity	8,061	3,542	4,689	12,447	28,249

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

	2019	2018	2017	2016	2015
Average share price ($)	0.11	0.17	0.21	0.30	0.24
Basic earnings per share (cents per share)	(0.41)	(0.09)	(3.23)	(2.53)	(2.56)
Share buy-back ($'000)	82	193	98	180	976

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	**Received as part of remuneration**	**Additions**	**Disposals/ other**	**Balance at the end of the year**
Ordinary shares					
Min Yang*	286,500	-	-	-	286,500
Nga Fong (Alex) Lao	18,026,525	-	-	-	18,026,525
Quan (David) Fang*	10,000	-	-	-	10,000
Wai Sang Ho	44,620,770	-	187,500	-	44,808,270
Geoff Baker **	7,734,517	-	-	-	7,734,517
William Kuan	250,000	-	-	-	250,000
	70,928,312	-	187,500	-	71,115,812

* The above shareholding excludes indirect interest of 86,914,266 (2018: 86,914,266) shares held by FY Holdings Limited, an entity jointly controlled by Ms Yang and Mr Fang.

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

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

Other transactions with key management personnel and their related parties

Rent paid on the operating lease of the head office of the Group to SPC Investments Pty Ltd, an entity in which Ms Min Yang has a beneficial interest, amounting to $251,099 (2018: $252,665)

This concludes the remuneration report, which has been audited.

Shares under option

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

Shares issued on the exercise of options

There were no ordinary shares of ASF Group Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

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

Officers of the company who are former partners of Grant Thornton

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

Min Yang
Chairman

27 September 2019
Sydney

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Auditor's Independence Declaration

To the Directors of ASF Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of ASF Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 27 September 2019

General information

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

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

Suite 2, 3B Macquarie Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2019. The directors have the power to amend and reissue the financial statements.

ASF Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue	4	1,050	1,302
Finance income	4	422	191
Share of losses of associates accounted for using the equity method	6	(1,700)	(521)
Other income	5	6,534	13,394
Expenses			
Commission and fee expenses		(502)	(514)
Consultancy expenses		(2,208)	(1,664)
Marketing expenses		(241)	(185)
Employee benefits expense		(2,290)	(2,292)
Depreciation expense	6	(110)	(121)
Impairment of non-financial assets	6	(1,385)	(1,655)
Impairment gain/(loss) of financial assets	6	2,727	(2,782)
Net fair value movements on financial assets at fair value through profit or loss		-	(20)
Legal and professional fees		(1,701)	(1,570)
Corporate and administration expenses		(1,316)	(1,200)
Occupancy expenses		(1,292)	(1,281)
Finance costs	6	(1,865)	(2,005)
Loss before income tax expense		(3,877)	(923)
Income tax expense	7	-	-
Loss after income tax expense for the year		(3,877)	(923)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		3	(30)
Total comprehensive income for the year		(3,874)	(953)
Loss for the year is attributable to:			
Non-controlling interest		(914)	(292)
Owners of ASF Group Limited		(2,963)	(631)
		(3,877)	(923)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(914)	(292)
Owners of ASF Group Limited		(2,960)	(661)
		(3,874)	(953)
		Cents	**Cents**
Basic loss per share	33	(0.41)	(0.09)
Diluted loss per share	33	(0.41)	(0.09)

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

ASF Group Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	8	4,929	4,585
Trade and other receivables	9	3,772	176
Other assets	10	345	103
Total current assets		9,046	4,864
Non-current assets			
Other receivables	11	231	424
Investments accounted for using the equity method	12	15,170	14,389
Financial assets at fair value through profit or loss		79	79
Property, plant and equipment	13	234	260
Intangibles	14	3,030	3,163
Total non-current assets		18,744	18,315
Total assets		27,790	23,179
Liabilities			
Current liabilities			
Trade and other payables	15	2,867	1,518
Borrowings	17	105	6,125
Employee benefits	16	112	98
Total current liabilities		3,084	7,741
Non-current liabilities			
Borrowings	18	16,645	11,896
Total non-current liabilities		16,645	11,896
Total Liabilities		19,729	19,637
Net assets		8,061	3,542
Equity			
Issued capital	19	122,690	113,463
Reserves	20	(2,369)	(777)
Accumulated losses		(110,079)	(107,385)
Equity attributable to the owners of ASF Group Limited		10,242	5,301
Non-controlling interest	30	(2,181)	(1,759)
Total equity		8,061	3,542

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	113,657	(747)	(106,754)	(1,467)	4,689
Loss after income tax expense for the year	-	-	(631)	(292)	(923)
Other comprehensive income for the year, net of tax	-	(30)	-	-	(30)
Total comprehensive income for the year	-	(30)	(631)	(292)	(953)
Transactions with owners in their capacity as owners:					
Share buy-back (note 19)	(194)	-	-	-	(194)
Balance at 30 June 2018	113,463	(777)	(107,385)	(1,759)	3,542

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	113,463	(777)	(107,385)	(1,759)	3,542
Loss after income tax expense for the year	-	-	(2,963)	(914)	(3,877)
Other comprehensive income for the year, net of tax	-	3	-	-	3
Total comprehensive income for the year	-	3	(2,963)	(914)	(3,874)
Transactions with owners in their capacity as owners:					
Prior period NCI movement (Note 1c)	-	(628)	269	359	-
Acquisition of NCI without a change in control	-	(793)	-	(41)	(834)
Disposal of subsidiary with NCI	-	(174)	-	174	-
Share buy-back (note 19)	(82)	-	-	-	(82)
Issuance of shares (note 19)	9,309	-	-	-	9,309
Balance at 30 June 2019	122,690	(2,369)	(110,079)	(2,181)	8,061

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		864	1,369
Payments to suppliers (inclusive of GST)		(8,407)	(9,219)
Interest received		14	59
Interest and other finance costs paid		(3,127)	(2,055)
Net cash used in operating activities	34	(10,656)	(9,846)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(164)	(18)
Payments for intangibles	14	(435)	(537)
Acquisition of non-controlling interest	32	(922)	-
Net cash outflow for disposal of subsidiary		(691)	-
Funds received on conclusion of GCIR procurement process		-	9,082
Proceeds from release of security deposits		-	1,000
Net cash (used in)/from investing activities		(2,212)	9,527
Cash flows from financing activities			
Loan to associates		(2,725)	(2,645)
Proceeds of loans from associates		2,500	-
Proceeds from borrowings		10,205	105
Repayment of borrowings		(6,000)	(10,000)
Proceeds from issue of shares	19	9,309	-
Payment for share buy-backs	19	(82)	(193)
Cost of share buy-back	19	-	(1)
Net cash from/(used in) financing activities		13,207	(12,734)
Net increase/(decrease) in cash and cash equivalents		339	(13,053)
Cash and cash equivalents at the end of the financial year		4,585	17,669
Effects of exchange rate changes on cash and cash equivalents		5	(31)
Cash and cash equivalents at the end of the financial year		4,929	4,585

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

1. Significant accounting policies

These consolidated financial statements and notes are for the consolidated entity consisting of ASF Group Limited ("Company" or "parent entity") and its subsidiaries ("the Group").

These general purpose financial statements for the reporting period ended 30 June 2019 have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities.

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

The financial statements were authorised for issue in accordance with a resolution of the Directors on 27 September 2019.

(a) New or amended Accounting Standards and Interpretations adopted

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

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

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

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

Commission Revenue

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

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

1. Significant accounting policies (continued)

Corporate Services

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

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

Rent

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

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

Marketing

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

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

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

AASB 9 Financial Instruments

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

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

Management is satisfied that impairment under the new three-stage expected credit loss model did not have any impact as at 1 July 2018. All the loans granted to associates were fully impaired as the company recognised lifetime expected losses based on the financial position of these entities at that time.

1. Significant accounting policies (continued)

In the current year, these expected credit losses were reversed as a result of the financial environment of the entities improving.

Trade debtors are not significant as at 30 June 2018 and 30 June 2019 hence the impairment risk is immaterial.

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

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

New accounting policy – Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

Classifications are determined by both:
• The entity's business model for managing the financial asset
• The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

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

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

1. Significant accounting policies (continued)

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

Financial assets at fair value through profit or loss (FVPL)

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

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

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

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

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

Impairment of financial assets

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

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

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and

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

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

Trade and other receivables and contract assets

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

1. Significant accounting policies (continued)

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

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

Financial assets at fair value through other comprehensive income

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

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

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrowers operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime expected credit losses.

Classification and measurement of financial liabilities

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

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

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

Interest Income

Interest income from financial assets at FVPL is included in the net fair value gains / (losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI (2018 – available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

1. Significant accounting policies (continued)

Changes in measurement category on transition to AASB 9

	Classification as per AASB 139	Revised classification as per AASB 9	Carrying amount as per AASB 139 on 30 June 2018 $'000	Revised carrying amount as per AASB 9 on 1 July 2018 $'000
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	176	176
Other receivables (non-current)	Loans and receivables	Amortised cost	424	424
Financial assets at fair value through profit or loss	FVTPL	FVTPL	79	79
Total			**679**	**679**
Financial liabilities				
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,518	1,518
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	18,021	18,021
Total			**19,539**	**19,539**

(b) Continued operations and future funding

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the year ended 30 June 2019, the Group recorded a loss after income tax and non-controlling interest of $2,963,000 (2018: $631,000); showed net cash outflow from investing activities of $2,212,000 (2018: net cash inflow of $9,527,000) and net cash outflows from operating activities of $10,656,000 (2018: $9,846,000) and, as of that date, the Group's current assets exceeded its current liabilities by $5,962,000 as opposed to 2018 where current liabilities exceeded its current assets by $2,877,000. The net assets of the Group as of 30 June 2019 were $8,061,000 (2018:$3,542,000).

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

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

- The Group manages cash diligently to meet immediate business needs. The Group has a long and proven track record in raising capital via share placements, rights issues and convertible notes over the past 12 years. As at the date of this report, the Group has $5 million in a convertible note facility available for draw down;
- The Group expects convertible notes amounting to $16,645,000 to be converted to equity or extended before their expiry. No cash outlay will be required;
- The Group plans to undertake further capital raising or realisation of assets during the next 12 months as needed;
- The Group holds the ability to reduce operating costs as needed and appropriate; and
- Cash flow forecast, which incorporate expected additional capital injections, for the 12 months from the date of issue of these financial statements project that the Group will be able to operate as usual.

1. Significant accounting policies (continued)

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

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

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2019. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

(c) Comparatives

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

During the year, the Group reclassified a balance of $269,000 related to an impairment loss made by CMR in the prior year from accumulated losses to non-controlling interest. The Group also transferred a balance of $628,000 from non-controlling interest to reserves. This is in relation to subsidiaries that are wholly owned.

(d) Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

(e) Parent entity information

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

(f) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASF Group Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

(g) 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.

(h) Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

1. Significant accounting policies (continued)

(i) Revenue recognition (for year ended 30 June 2018)

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

Commission revenue

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

Fund management and advisory services

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

Corporate services

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

Interest

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

Marketing fees and rental income

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

Other revenue

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

(j) Income tax

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

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

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

1. Significant accounting policies (continued)

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

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

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

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

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

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

(k) Current and non-current classification

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

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

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

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

1. Significant accounting policies (continued)

(l) 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.

(m) Trade and other receivables (for year ended 30 June 2018)

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

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

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

(n) Associates

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

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

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

(o) Investments and other financial assets (for year ended 30 June 2018)

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

1. Significant accounting policies (continued)

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

Loans and receivables

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

Impairment of financial assets

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

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

(p) Property, plant and equipment

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

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

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

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

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

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

1. Significant accounting policies (continued)

(q) Leases

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

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

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

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

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

(r) Intangible assets

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

Exploration and evaluation expenditure

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

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

1. Significant accounting policies (continued)

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

Capitalised project costs

Capitalised project costs represent costs incurred in relation to the planning and feasibility of the proposed development of an integrated Marine Project at the Broadwater ('Gold Coast Integrated Resort').
Expenditure incurred on the project is carried as an asset in the statement of financial position where it is expected that the expenditure will be recovered through successful development and future use. Capitalised project costs were fully impaired during the previous year.

(s) Impairment of non-financial assets

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

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

(t) Trade and other payables (for year ended 30 June 2018)

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

(u) Borrowings (for year ended 30 June 2018)

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

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

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

(v) Finance costs

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

1. Significant accounting policies (continued)

(w) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

(x) Fair value measurement

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

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

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

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

(y) 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.

1. Significant accounting policies (continued)

(z) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

(ab)Rounding of amounts

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

(ac)New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 *Leases*

The Group is required to adopt AASB 16 Leases from 1 July 2019. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below.
The actual impacts of adopting the standard on 1 July 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

1. Significant accounting policies (continued)

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.
Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of.Transactions Involving the Legal Form of a Lease*.

The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in.accordance with AASB 117 and IFRIC 4.

Impact:
Leases in which the Group is a lessee
The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of $2,541,000 and same amount of right-of-use assets as at 1 July 2019.

IASB revised Conceptual Framework for Financial Reporting

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

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

Estimation of useful lives of assets

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

Recovery of deferred tax assets

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

Intangibles - mining exploration and evaluation expenditures

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

Impairment of investments in associates

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

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

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

3. Operating segments

Identification of reportable operating segments

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

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

4. Revenue

	Consolidated	
	2019	2018
Disaggregated revenue information	$'000	$'000
Sales revenue		
Commission revenue	415	653
Corporate services	341	342
Marketing fees	93	200
Services related to rental properties	201	107
	1,050	1,302
Finance income – interest income	422	191
Geographical markets		
Australia	1,050	1,302
Asia	-	-
	1,050	1,302
Timing of revenue recognition		
Service recognised at a point in time	415	653
Services transferred over time	635	649
	1,050	1,302

5. Other income

Net gain on disposal of investments *	3,198	-
Reversal of impairment in equity accounted investments	-	4,312
Funds received on conclusion of the procurement process of Gold Coast Integrated Resort project	-	9,082
Revaluation of investment in associate at fair value *	3,297	-
Gain on disposal of plant and equipment	17	-
Sundry income	22	-
Other income	6,534	13,394

* These non-cash gains relate to the disposal of shares in ASF Technologies Limited and the subsequent revaluation of the investment at fair value when the Group lost control.

6. Expenses

	Consolidated	
	2019	2018
	$'000	$'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	62	74
Plant and equipment	43	41
Motor vehicles	5	6
Total depreciation	110	121
Impairment of non-financial assets		
Mining exploration and evaluation expenditures	568	1,655
Impairment of investment in associates	817	-
Total Impairment of non-financial assets	1,385	1,655
Impairment of financial assets		
Allowance for expected credit loss	50	5
(Reversal of)/Impairment of loan to ActivEX Limited	(735)	735
(Reversal of)/Impairment of loan to Rey Resources Limited	(2,042)	2,042
Total impairment (gain)/loss of financial assets	(2,727)	2,782
Share of losses of associates		
Rey Resources Limited	1,452	171
ActivEX Limited	154	127
Key Petroleum Limited	46	223
ASF Technologies Ltd	48	-
Total share of losses of associates	1,700	521
Finance costs		
Interest and finance charges paid/payable	1,865	2,005
Rental expense relating to operating leases		
Minimum lease payments	1,292	1,281
Superannuation expense		
Defined contribution superannuation expense	96	118

7. Income tax expense

	Consolidated 2019 $'000	Consolidated 2018 $'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,877)	(923)
Tax at the statutory tax rate of 27.5%	(1,066)	(254)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	3	2
Legal expenses	-	(2)
Impairment of assets	225	-
Share of loss - associates	454	144
Impairment of loans	-	765
Reversal of impairment of investment	-	(1,104)
Write off of capitalised project costs*	-	(4,384)
Other adjustments	256	1,527
	(128)	(3,306)
Current year tax losses not recognised	128	3,306
Income tax expense	-	-

*Whilst the project was fully impaired in the financial year ended 30 June 2017, actual write-off occurred in the 30 June 2018 financial year and as such it was included for tax purposes that year.

	2019 $'000	2018 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	46,501	45,029
Potential tax benefit @ 27.5%	12,788	12,383

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

8. Current assets - cash and cash equivalents

	2019 $'000	2018 $'000
Cash on hand and at bank	4,929	4,585

9. Current assets - trade and other receivables

	2019 $'000	2018 $'000
Trade receivables	191	4
Other receivables	171	172
Loan receivable from associate - ActivEx Limited	1,575	705
Less: Allowance for credit losses of receivables	-	(705)
Loan receivable from associate – Rey Resources Limited	1,835	-
	3,581	172
	3,772	176

The Group has reversed an allowance for credit loss of $705,000 in profit or loss in respect of impairment of loan receivables for the year ended 30 June 2019 (2018: impairment loss of $705,000).

9. Current assets - trade and other receivables (continued)

Movements in allowance for credit losses of receivables are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
As at 1 July	705	-
Additional allowance for credit losses recognised	-	705
Reversal of allowance for credit losses	(705)	-
As at 30 June	-	705

Loan Receivable

On 14 November 2017, the Group entered into a loan facility agreement with its associate, ActivEX Limited (ASX: AIV). Pursuant to the agreement the Group will provide up to $1 million in standby funding for AIV's exploration activities and general working capital. Interest will accrue at 12% per annum. The loan facility was subsequently increased to $2 million and the maturity date extended to 31 December 2019.

On 12 October 2017, the Group entered into a loan facility agreement with its associate, Rey Resources Limited (ASX: REY). Pursuant to the agreement the Group will provide up to $1 million in standby funding for REY's exploration activities and general working capital for a term of one year. Interest will accrue at 12% per annum. The loan facility was subsequently increased to $3.8 million and the maturity date extended to 31 December 2019. In April 2019, REY repaid $2.5 million which remains available for re-draw before maturity pursuant to the terms of the loan.

10. Current assets - other

	Consolidated 2019 $'000	Consolidated 2018 $'000
Prepayments	344	102
Other current assets	1	1
	345	103

11. Non-current assets - Other receivables

	2019	2018
Deposits	231	424
Loan receivable from associate – Rey Resources Limited	-	2,042
Less: Allowance for credit losses of receivables (REY)	-	(2,042)
	231	424

Movements in allowance for credit losses of receivables are as follows:

	2019	2018
As at 1 July	2,042	-
Additional allowance for credit losses recognised	-	2,042
Reversal of allowance for credit losses	(2,042)	-
As at 30 June	-	2,042

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Rey Resources Limited (ASX: REY)	9,622	11,074
ActivEX Limited (ASX: AIV)	1,414	1,568
Key Petroleum Limited (ASX: KEY)	885	1,747
ASF Technologies Ltd	3,249	-
	15,170	14,389

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

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

	2019 $'000	2018 $'000
Leasehold improvements - at cost	612	611
Less: Accumulated depreciation	(535)	(488)
	77	123
Plant and equipment - at cost	488	418
Less: Accumulated depreciation	(351)	(306)
	137	112
Motor vehicles - at cost	48	48
Less: Accumulated depreciation	(28)	(23)
	20	25
	234	260

Reconciliations

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Motor Vehicles $'000	Total $'000
Balance at 1 July 2017	197	134	31	362
Additions	-	18	-	18
Exchange differences	-	1	-	1
Depreciation expense	(74)	(41)	(6)	(121)
Balance at 1 July 2018	123	112	25	260
Additions	86	78	-	164
Disposal	(70)	(11)	-	(81)
Exchange differences	-	1	-	1
Depreciation expense	(62)	(43)	(5)	(110)
Balance at 30 June 2019	77	137	20	234

14. Non-current assets – intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Mining exploration and evaluation expenditures – at cost	3,030	3,163

Reconciliations

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

Consolidated	Total $'000
Balance at 1 July 2017	4,281
Additions	537
Write-off of assets	(1,655)
Balance at 30 June 2018	3,163
Additions	435
Write-off of assets	(568)
Balance at 30 June 2019	3,030

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

15. Current liabilities - trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade payables	229	120
Interest payable	-	896
Other payables	438	502
Amount due to ASF Technologies Ltd	2,200	-
	2,867	1,518

Refer to note 22 for further information on financial instruments.

16. Current liabilities - employee benefits

Employee benefits	112	98

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

17. Current liabilities – borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Convertible notes payable	-	6,000
Loan payable	-	20
Other loans	105	105
	105	6,125

Convertible notes payable

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

18. Non-current liabilities - borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Convertible notes payable	16,645	11,896

Convertible notes payable

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

19. Equity - issued capital

Consolidated	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares – fully paid	792,947,052	677,395,157	122,690	113,463

Movement in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2017	678,517,825		113,657
Share buy-back	1 July 2017 – 30 June 2018	(1,122,668)	$0.172	(193)
Cost of share buy-back		-	-	(1)
Balance	30 July 2018	677,395,157		113,463
Share buy-back	1 July 2018 – 30 June 2019	(810,605)	$0.100	(82)
Private placement net	25 January 2019	112,500,000	$0.080	9,000
Share purchase plan net	8 February 2019	3,862,500	$0.080	309
Balance	30 June 2019	792,947,052		122,690

Ordinary shares

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

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

Share buy-back

During the year, the Company bought back 810,605 shares at a cost of $82,000. The buy back program has been extended to 4 June 2020.

Capital risk management

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

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

20. Equity - reserves

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency reserve	191	188
Acquisition of Non-controlling interests reserve	(2,874)	(1,279)
Capital reserve	314	314
	(2,369)	(777)

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

Acquisition of Non-controlling interest reserve
The reserve is used to record balances transferred from non-controlling interest when the disposal of subsidiaries occurs.

Capital reserve
The capital reserve is used to recognise the equity component within convertible notes payable and other borrowings.

Consolidated	Foreign currency reserve $'000	Acquisition of Non-controlling interest reserve $'000	Capital reserve $'000	Total $'000
Balance at 1 July 2017	218	(1,279)	314	(747)
Foreign currency translation	(30)	-	-	(30)
Balance at 1 July 2018	188	(1,279)	314	(777)
Foreign currency translation	3	-	-	3
Acquisition of non-controlling interest	-	(793)	-	(793)
Transfer from NCI to NCI reserve	-	(628)	-	(628)
Disposal of subsidiary with NCI	-	(174)	-	(174)
Balance at 30 June 2019	191	(2,874)	314	(2,369)

21. Equity - dividends

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

22. Financial instruments

Financial risk management objectives

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

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

22. Financial instruments (continued)

Market risk

Foreign currency risk

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

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

Price risk

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

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

Equity investments are publicly traded on the Australian Securities Exchange (ASX). If there was a 10% increase or decrease in the share price of Kaili Resources Limited (ASX: KLR), with all other variables held constant, the Group's profit before tax would have been $8,000 higher/ $8,000 lower (2018: $8,000 higher/ $8,000 lower). The percentage change is the expected overall volatility of the investments, which is based on management's assessment of reasonable possible fluctuations.

Interest rate risk

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

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

An official increase/decrease in interest rates of 50 (2018: 50) basis points would have a favourable/adverse effect on profit before tax of $25,000 (2018: $23,000) per annum.

Credit risk

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

In assessing the Expected Credit Losses ("ECL") of trade receivables management assesses historical write offs of trade receivables, aging of debtors and whether sufficient credit enhancement is provided by customers (letters of credit and bank guarantees). If the aging of trade receivables significantly increased then the recognition of ECL would need to be reassessed.

Receivables will only be written off if there is demonstrable evidence that there is no reasonable expectation of recovery.

22. Financial instruments (continued)

There was no provision for lifetime or 12 month ECL recognised for trade receivables as at 30 June 2019 as there are minimal aged debts.

The credit risk on cash and cash equivalents is limited as the counterparties are banks with credit-ratings assigned by international credit-rating agencies that are at least investment grade.

The maximum exposure to credit risk on financial assets which have been recognised in the balance sheet is their carrying amount less impairment provision, if any as set out below.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash and cash equivalents	4,929	4,585
Trade and other receivables	4,003	600
	8,932	5,185

Liquidity risk

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

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

Remaining contractual maturities

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

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	229	-	-	-	229
Other payables	-	438	-	-	-	438
Amount due to ASF Technologies Ltd	-	2,200	-	-	-	2,200
Other loan	-	105	-	-	-	105
Interest-bearing - fixed rate						
Convertible notes payable	10%	-	18,864	-	-	18,864
Total non-derivatives		2,972	18,864	-	-	21,836

22. Financial instruments (continued)

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	120	-	-	-	120
Other payables	-	502	-	-	-	502
Loan payable	-	20	-	-	-	20
Other loan	-	105	-	-	-	105
Interest-bearing - fixed rate						
Convertible notes payable	10.00%	7,751	603	13,271	-	21,625
Total non-derivatives		8,498	603	13,271	-	22,372

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

23. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments at fair value through profit or loss	79	-	-	79
Total assets	79	-	-	79

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

There were no transfers between levels during the financial year.

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

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

24. Key management personnel disclosures

Compensation

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

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	1,498,793	1,636,178
Post-employment benefits	34,445	43,231
Long-term benefits	7,642	4,251
	1,540,880	1,683,660

25. Remuneration of auditors

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

	2019	2018
Audit services - Grant Thornton		
Audit or review of the financial statements	250,235	230,091
Audit services - unrelated firms		
Audit or review of the financial statements	19,023	15,001
Other services - unrelated firms		
Tax compliance service	10,335	9,535
	279,593	24,536

26. Contingencies

The Group has given bank guarantees as at 30 June 2019 of $346,000 (30 June 2018: $212,000).

27. Commitments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,093	1,057
One to five years	1,693	1,476
	2,786	2,533
Capital commitments - Exploration and evaluation		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	26,498	1,045
One to five years	1,097	675
	27,595	1,720

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

Capital commitments relate to minimum annual expenditure required to be incurred by the Group under exploration licenses for tenements in Queensland. The Company has the ability to defer the payments to a later year.

28. Related party transactions

Parent entity

ASF Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Associates

Interests in associates are set out in note 31.

Key management personnel

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

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2019 $	Consolidated 2018 $
Sale of goods and services:		
Corporate service fee paid by associates	219,600	219,600
Share placement and advisory fees paid by associates	36,000	60,000
Payment for other expenses:		
Rent paid to SPC Investments Pty Ltd, an entity in which Ms Min Yang has a beneficial interest	251,099	252,665

Receivable from and payable to related parties

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

	Consolidated 2019 $	Consolidated 2018 $
Current payables:		
Trade payables to Gold Star Industry Limited - a related entity of Director Geoff Baker	19,018	21,056

Loans to/from related parties

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

	Consolidated 2019 $	Consolidated 2018 $
Current receivables:		
Loan to associate*	3,410,000	705,000
Non-current receivables:		
Loan to associate*	-	2,041,717
Rental deposit paid to Louis Li Chien's apartment	3,280	3,280

* At 30 June 2019 the Group has reversed the allowance for credit losses of $2,747,000 towards the loan receivable from ActivEX Limited and Rey Resources Limited.

Terms and conditions

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

29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Loss after income tax	(542)	(4,926)
Total comprehensive income	(542)	(4,926)

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	6,443	3,230
Total assets	26,492	19,953
Total current liabilities	1,786	8,682
Total liabilities	18,431	20,578
Equity		
Issued capital	122,690	113,463
Non-controlling interests reserve	314	314
Accumulated losses	(114,943)	(114,402)
Total equity/(deficiency)	8,061	(625)

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

Significant accounting policies

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

30. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	2018 %
ASF Canning Basin Energy Pty Ltd	Australia	100%	100%
ASF Canning Pty Ltd	Australia	100%	100%
ASF China Holdings Limited	British Virgin Islands	100%	100%
ASF Coal Pty Ltd	Australia	100%	100%
ASF Consortium Pty Ltd	Australia	100%	100%
ASF Copper Pty Ltd^	Australia	-	100%
ASF Corporate Pty Ltd	Australia	100%	100%
ASF Energy Pty Ltd	Australia	100%	100%
ASF Gold and Copper Pty Ltd	Australia	100%	100%
ASF (Hong Kong) Ltd	Hong Kong	100%	100%
ASF Metals Pty Ltd	Australia	100%	100%
ASF Oil and Gas Holdings Pty Ltd	Australia	100%	100%
ASF Properties Pty Ltd	Australia	100%	100%
ASF Resources (WA) Pty Ltd^	Australia	-	100%
ASF Technologies Ltd *	Hong Kong	23.57%	100%
Aushome China Pty Ltd	Australia	100%	100%
Austin Resources Pty Ltd^	Australia	-	100%
Basin Coal Pty Ltd^	Australia	-	100%
Victory Coal Pty Ltd^	Australia	-	100%
ASF Resources Ltd	Australia	100%	100%
BSF International Ltd (formerly ASF European Holdings Ltd)	United Kingdom	100%	100%
ASF Global Integrated Resort Holdings Ltd^	Hong Kong	-	100%
ASF Technologies Holding Limited	Cayman Islands	100%	-

^: These companies were deregistered during the year.
*   Entity is recognised as an associate as at 30 June 2019.

30. Interests in subsidiaries (continued)

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

			Parent		Non-controlling interest	
Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 2019 %	Ownership interest 2018 %	Ownership interest 2019 %	Ownership interest 2018 %
ASF Capital Pty Ltd#	Australia	Fund management and advisory	100%	60%	-	40%
ASF Capital Investment Fund*	Australia	Fund management and advisory	100%	60%	-	40%
ASF Capital Secure Fund*	Australia	Fund management and advisory	100%	60%	-	40%
ASF Venture Fund*	Australia	Fund management and advisory	100%	60%	-	40%
IAF II General Partner Pty Ltd**	Australia	Fund management and advisory	50%	-	50%	-
Civil and Mining Resources Pty Ltd	Australia	Exploration	69%	69%	31%	31%
GCPM Pty Ltd	Australia	Property Management	51%	51%	49%	49%
Dawson West Coal Pty Ltd	Australia	Exploration	69%	69%	31%	31%
ASF Technologies (Australia) Pty Ltd (formerly ASF Infrastructure Group Pty Ltd)^^	Australia	Development of SYTECH technologies	62%	100%	38%	-

\# During the year, the Group has acquired the non-controlling interest of ASF Capital Pty Ltd, see Note 32.
* Wholly owned Fund established by ASF Capital Pty Ltd.
** Incorporated on 14 December 2018 and dormant since incorporation
^^ Issued 38% new shares to Crystal Profit Ventures Ltd on 3 December 2018

30. Interests in subsidiaries (continued)

Summarised financial information

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

	Civil and Mining Resources Pty Ltd		ASF Technologies (Australia) Pty Ltd	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Summarised statement of financial position				
Current assets	34	23	1,195	-
Non-current assets	3,206	2,023	62	-
Total assets	3,240	2,046	1,257	-
Current liabilities	5,617	4,453	2,312	-
Total liabilities	5,617	4,453	2,312	-
Net assets/(liabilities)	(2,377)	(2,407)	(1,055)	-
Summarised statement of profit or loss and other comprehensive income				
Revenue	42	42	-	-
Expenses	(799)	(2,387)	(979)	-
Loss before income tax expense	(757)	(2,345)	(979)	-
Income tax expense		-	-	-
Loss after income tax expense	(757)	(2,345)	(979)	-
Other comprehensive income	-	-	-	-
Total comprehensive income	(757)	(2,345)	(979)	-
Statement of cash flows				
Net cash used in operating activities	(727)	(846)	(1,234)	-
Net cash used in investing activities	38	(31)	(72)	-
Net cash (used in)/from financing activities	700	890	2,150	-
Net (decrease)/increase in cash and cash equivalents	11	13	844	-
Other financial information				
Loss attributable to non-controlling interests	(330)	(727)	(372)	-
Accumulated non-controlling interests at the end of reporting period	(1,759)	(2,570)	(372)	-

The total accumulated non-controlling interests at the end of the reporting period is $2,181,000 (2018: $1,759,000).

31. Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
China Coal Resources Pty Ltd (1)	Australia	25.00%	25.00%
Key Petroleum Ltd (2)	Australia	14.27%	16.41%
Rey Resources Limited (3)	Australia	16.34%	16.32%
ActivEX Limited (4)	Australia	19.62%	19.62%
ASF Macau Multinational Holdings Ltd (1)	British Virgin Islands	40.00%	40.00%
ASF Technologies Ltd (5)	Hong Kong	23.57%	-

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

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

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

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

(5) Holding company of 赛德动力科技（广东）有限公司 (SYTECH Powertrain Technologies Company Limited)

31. Interests in associates (continued)

Summarised financial information

	Key Petroleum Ltd		Rey Resources Limited		ActivEX Limited		ASF Technologies Ltd	
	2019 *	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Summarised statement of financial position								
Current assets - cash and cash equivalents	447	1,387	28	36	19	49	1,819	-
Current assets - others	1,508	29	36	36	54	71	1,058	1
Non-current assets	4,049	2,645	36,022	41,993	9,641	9,521	634	-
Total assets	6,004	4,061	36,086	42,065	9,714	9,641	3,511	1
Current liabilities - others	2,082	363	2,660	2,702	1,639	781	70	44
Non-current liabilities - others	-	31	5,952	2,900	-	-	-	-
Total liabilities	2,082	394	8,612	5,602	1,639	781	70	44
Net assets	3,922	3,667	27,474	36,463	8,075	8,860	3,441	(43)
Summarised statement of profit or loss and other comprehensive income								
Revenue	460	255	-	11	38	5	-	-
Interest income	-	14	-	1	-	3	-	-
Depreciation and amortisation	(30)	(35)	(5)	(5)	(6)	(24)	-	-
Expenses	(1,211)	(1,490)	(8,918)	(1,056)	(817)	(633)	(636)	(6)
Loss before income tax	(781)	(1,256)	(8,923)	(1,049)	(785)	(649)	(636)	(6)
Other comprehensive income	83	(4)	-	-	-	-	-	-
Total comprehensive income	698	(1,260)	(8,923)	(1,049)	(785)	(649)	(636)	(6)

* Based on the draft financial statements provided by the associate. As a result, there may be difference on the share of loss estimated and recognised, compared with the actual audited figures.

31. Interests in associates(continued)

	Key Petroleum Ltd		Rey Resources Limited		ActivEX Limited		ASF Technologies Ltd	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reconciliation of the Group's carrying amount								
Opening carrying amount	1,747	1,969	11,074	6,933	1,568	1,696	-	-
Share of loss after income tax	(45)	(222)	(1,452)	(171)	(154)	(128)	(48)	-
(Impairment)/Reversal of impairment	(817)	-	-	4,312	-	-	-	-
Revaluation of investment	-	-	-	-	-	-	3,297	-
Closing carrying amount	885	1,747	9,622	11,074	1,414	1,568	3,249	-
Quoted fair value	885	1,990	10,747	11,093	6,780	4,172	3,249	-

Contingent liabilities
Contingent liabilities as at 30 June 2019 Nil (30 June 2018: Nil)

Commitments
Share of commitments but not recognised as liability as at 30 June 2019 Nil (30 June 2018: Nil)

32. Acquisition and disposal

(a) Acquisition of NCI – ASF Capital Limited

In May 2019, the Group acquired an additional 40.49% interest in ASF Capital for a cash consideration of $922,000, increasing its ownership from 59.51% to 100%. The carrying amount of ASF Capital's net assets in the Group's consolidated financial statements on the date of the acquisition was $214,000.

	$'000
Carrying amount of NCI acquired (40.49%)	88
Consideration paid to NCI	922
A decrease in equity attributable to owners of the Company	(834)

The decrease in equity attributable to owners of the Company comprised:
- – a decrease in non-controlling interest of $41,000; and
- – a decrease in the reserve of $793,000.

(b) Disposal of ASF Technologies Ltd

(i) Summary of disposal

On 3 October 2018, the Company announced that ASF Technologies Ltd ("ASFT"), the then wholly owned subsidiary incorporated in Hong Kong which has been developing the SYTECH technologies and is the holder of the Chinese Patent, entered into a Framework Agreement with Crystal Profit Ventures Limited ("CPV") where subsequently on 23 November 2018, the Company announced that ASFT received a total of A$4 million from CPV and issued 40% of the issued share capital of ASFT to CPV.

On 30 April 2019, the Company announced that it entered into a binding Heads of Agreement ("HOA") with Magic Goal Investments Limited ("MGI") in relation to the disposal of 27% interest in ASFT. The Company sold for cash consideration of $2.7million part of its interest in ASFT representing 27% shareholding of ASFT to MGI. The gain on disposal of the investment was $3,198,000.

Further pursuant to the HOA, MGI has immediately after the acquisition of this interest, subscribed for an additional $4m new shares in ASFT to help fund its further development of the SYTECH technology in China. Upon completion of the above transactions, MGI's interest in ASFT effectively became 47.86% and the Company's interest was diluted to 23.57%. The remaining interest is accounted for as investment in associates. Upon initial recognition, the investment is recorded at fair value and then, subsequently, the equity method is applied.

33. Earnings per share

	Consolidated	
	2019 $'000	2018 $'000
Loss after income tax	(3,877)	(923)
Non-controlling interest	914	292
Loss after income tax attributable to the owners of ASF Group Limited	(2,963)	(631)
	Number	Number
Weighed average number of ordinary shares used in calculating basic earnings per share	726,935,805	677,871,061
Weighed average number of ordinary shares used in calculating diluted earnings per share	726,935,805	677,871,061
	Cents	Cents
Basic earnings per share	(0.41)	(0.09)
Diluted earnings per share	(0.41)	(0.09)

34. Cash flow information

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss after income tax expense for the year	(3,877)	(923)
Adjustments for:		
Depreciation and amortisation	110	121
Impairment of intangibles	568	1,655
Share of loss - associates	1,700	521
(Reversal of)/Impairment of loan from associates	(2,777)	2,747
Impairment (reversal)/loss of investment in associates	817	(4,312)
Funds received on conclusion of GCIR procurement process	-	(9,082)
Gain on disposal of property, plant and equipment	(17)	-
Accrued interest on convertible notes	749	-
Accrued interest on loans to associates	(408)	-
Bad debts	50	33
Net fair value (gain)/loss on investments	(3,297)	20
Gain on disposal of investment	(3,198)	-
Change in operating assets and liabilities:	-	
Increase in trade and other receivables	(234)	(164)
Decrease in trade and other payables	(842)	(412)
Decrease in other operating liabilities	-	(50)
Net cash used in operating activities	(10,656)	(9,846)

Changes in liabilities arising from financing activities

Consolidated	Convertible notes $'000	Loan payable $'000	Other loans $'000	Total $'000
Balance at 1 July 2017	28,676	20	-	28,696
Net cash (used in)/from financing activities	(10,000)	-	105	(9,895)
Interest payable	(780)	-	-	(780)
Balance at 1 July 2018	17,896	20	105	18,021
Net cash (used in)/from financing activities	(2,000)	2,200	-	200
Interest payable	749	-	-	749
Other	-	(20)	-	(20)
Balance at 30 June 2019	16,645	2,200	105	18,950

35. Events after the reporting period

On 16 July 2019, the Company announced that it has disposed of 13.57% interest in ASFT to MGI for a cash consideration of $1,357,000.

On 13 August 2019, the Company announced that it has invested into a new biotech opportunity in the UK. A company to be called 3D Bio-Tissues Ltd will be formed and the Company will over time take its investment up to 49% equity interest.

No other matters or circumstances that have arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001,* the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the directors

Min Yang
Chairman

27 September 2019
Sydney

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Independent Auditor's Report

To the Members of ASF Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of ASF Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

Material uncertainty related to going concern

We draw attention to Note 1 (b) in the financial statements, which indicates that the Group recorded a loss after income tax and non-controlling interest of $2,963,000, showed a net cash outflow from investing activities of $2,212,000 and had net cash outflows from operating activities of $10,656,000. As stated in Note 1 (b), these events or conditions, along with other matters as set forth in Note 1 (b), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Intangibles – exploration and evaluation expenditure (Note 14)	
The Group recognises capitalised exploration and evaluation expenditure in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*. As at 30 June 2019, exploration and evaluation assets amount to $3,030,000. During the year, the Group capitalised $435,000 of costs to exploration and evaluation assets in relation to different areas of interest. The Group also impaired $568,000 of costs in relation to tenements whose rights expire in the next 12 months and for which insufficient expenditure has been planned. This is a key audit matter due to the inherent subjectivity that is involved in making judgements in relation to the evaluation for any impairment indicators, in accordance with AASB 6 - *Exploration for and Evaluation of Mineral Resources*.	Our procedures included, amongst others: • obtaining from management a reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • reviewing management's areas of interest considerations against AASB 6; • vouching a sample of expenditure to verify they meet the recognition criteria under AASB 6; • confirming whether the rights to tenure of the areas of interest remained current at balance date; • obtaining an understanding of the status of ongoing exploration programmes for the respective areas of interest; • obtaining evidence of the future intention for the areas of interest, including reviewing future budgeted expenditure; • understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets is unlikely to be recovered through development or sale; and • assessing the appropriateness of the related disclosures within the financial statements.
Disposal of ASF Technologies Ltd (Note 32)	
During the year, the Group entered into a series of transactions that resulted in the step disposal of shares owned in ASF Technologies Ltd. This entity, a wholly owned subsidiary at the beginning of the financial year, became an associate owned at 23.57% as a result of transactions that occurred and triggered the loss of control. This area is a key audit matter due to the complexity of the transactions.	Our procedures included, amongst others: • obtaining an understanding of the underlying transactions; • evaluating management's calculation by verifying inputs to signed agreements; • obtaining supporting documentation to confirm the transfer of shares and the receipt of cash; • assessing management's treatment against the accounting standards to confirm the transactions have been appropriately accounted for; • reviewing management's conclusion to determine whether the entity meets the definition of an associate; • assessing whether the investment in the associate has been correctly fair valued at the date control was lost; and • assessing the appropriateness of the related disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Investments accounted for using the equity method (Note 12)	
As at 30 June 2019, the Group has investments in four entities which amount to $15,170,000. These investments are recognised in accordance with AASB 128 *Investments in Associates and Joint Ventures*. AASB 128 requires management to assess their level of influence over the investments and thus determine the appropriate accounting classification. It also requires management to recognise their share of the profits/losses and to assess investments for indicators of impairment at each reporting date. This is a key audit matter due to the risk that the share of the profit/loss of the associate is incorrectly recognised in the financial statements of the Group and the risk that these listed investments are impaired.	Our procedures included, amongst others: • obtaining and reviewing management's assessment regarding the appropriate classification of investments; • obtaining supporting information regarding the Group's ownership of investments; • reviewing management's calculations of their share of the profit/loss of the investments accounted for using the equity method and verifying to supporting documentation; • assessing whether the investment in ASF Technologies Ltd has been correctly fair valued at the date the Group lost control and that the share of the loss for this entity has been correctly recognised; • instructing the component auditors of the associates listed on the ASX to perform targeted procedures to assess whether the Group has correctly recognised its share of profits/losses for the year; • considering management's impairment assessment of investments accounted for using the equity method; and • assessing the appropriateness of the related disclosures within the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of ASF Group Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

N P Smietana
Partner – Audit & Assurance

Sydney, 27 September 2019

The shareholder information set out below was applicable as at 20 September 2019.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,360	-
1,001 to 5,000	1,000	-
5,001 to 10,000	338	-
10,001 to 100,000	368	-
100,001 and over	94	-
	3,160	-
Holding less than a marketable parcel	2,360	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
FY HOLDINGS LIMITED	86,914,266	10.961%
SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENTS A/C>	76,534,488	9.652%
XIN ZHANG	46,000,000	5.801%
WAI SANG HO	44,808,270	5.651%
RISING GAIN HOLDINGS LIMITED	39,214,563	4.945%
MILE OCEAN LIMITED	39,000,000	4.918%
TEAM FORTUNE TRADING LIMITED	39,000,000	4.918%
WELL SMART CAPITAL HOLDINGS	38,462,500	4.851%
FOREVER GRAND GROUP LIMITED	37,156,615	4.686%
BETTER FUTURE CAPITAL INVESTMENT LIMITED	33,750,000	4.256%
XING MAO LIMITED	31,226,457	3.938%
WISEPLAN HOLDINGS LTD	31,121,641	3.925%
MR JIARONG HE	31,092,702	3.921%
GLORY RESOURCES INTERNATIONAL INVESTMENT LIMITED	30,000,000	3.783%
MR ZHEN LI	29,124,153	3.673%
JADE SILVER INVESTMENTS LIMITED	26,573,776	3.351%
NGA FONG LAO	18,026,525	2.273%
MR JIANZHONG YANG	10,000,000	1.261%
GOLD STAR INDUSTRY LIMITED	7,734,517	0.975%
MR YIMING DU & MS LI CHEN	5,625,000	0.709%
	701,365,473	88.450%

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
FY HOLDINGS LIMITED	86,914,266	10.961%
SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENTS A/C>	76,534,488	9.652%
XIN ZHANG	46,000,000	5.801%
WAI SANG HO	44,808,270	5.651%

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

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

www.asfgroupltd.com