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## ASF GROUP LIMITED

### CORPORATE GOVERNANCE STATEMENT

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ASF Group Limited (the 'Company') is committed to good corporate governance and disclosure. This Corporate Governance Statement has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations'). The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website ([www.asfgroupltd.com](http://www.asfgroupltd.com)) or Annual Report, has been lodged with the ASX.

This statement has been approved by the Company's Board of Directors ('Board') and is current as at 24 September 2015.

The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below.

#### **Principle 1: Lay solid foundations for management and oversight**

***Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.***

The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company.

Key responsibilities of the Board include:

- the oversight of the Company including its control and accountability systems;
- establishing, monitoring and modifying corporate strategies and performance objectives;
- ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
- monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring of financial and other reporting;
- approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
- appointment and removal of directors, company secretary and senior management.

Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.

***Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.***

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

***Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.***

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

***Recommendation 1.5 - A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.***

The Company does not have a specific diversity policy. However, the Group always constantly pursues the recruitment on the basis of competence and performance regardless of age, nationality, gender, race, religious beliefs or cultural background.

The Company will be considering the adaptation of a diversity policy and believe the following objectives will be the part of the measurable gender diversity objectives throughout the organisation:

- (1) Develop a diverse and skilled workforce to continually pursue the achievement of corporate goals;
- (2) Build and maintain a safe work environment against inappropriate workplace and business behaviour (including sexual discrimination, harassment, bullying and victimisation);
- (3) Develop flexible work practices to meet the different needs of our employees and especially to assist our female employees to achieve the life-work balance; and
- (4) Provide employment and career development opportunities for women.

Of the nine directors, one is female who is the Chairman of the Board. Within the workforce of the Group, women comprise approximately 39% of the employees.

No entity within the Group is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.

***Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

The Company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts an introspective annual discussion of its performance on a collective basis to identify general aspects of its performance that could be improved upon, and such analysis includes the roles played by each Board member. Such reviews therefore encapsulate collective discussion around the performance of individual Board members, their roles on specific projects during the financial year, and where relevant, how their role could be modified or suggestions for individual development or performance improvement for the future.

Until such time as the Company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the Company.

***Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

Performance evaluation of senior executives is continually monitored by the Chairman and the Board throughout the year. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company.

## **Principle 2: Structure the board to add value**

***Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each***

**reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Company does not have a nomination committee as the size of the Company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

The Board performs the function of such a committee which includes the identification of skills and competencies required for the Board and related committees, as well as nomination, selection and performance evaluation of non-executive directors. The Board does not actively manage succession planning and instead relies upon the Board's extensive networking capabilities and/or executive recruitment firms to identify appropriate candidates when a Board vacancy occurs or when a vacancy is otherwise envisaged. Attributes of candidates put forward will be considered for 'best-fit' to the needs of the Board which are assessed at the time of the vacancy.

**Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.**

The Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. The current Board members represent individuals that have extensive industry experience as well as professionals that bring to the Board their specific skills in order for the Company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the Company's short and longer term objectives and therefore deliver value to shareholders.

All Board members are however expected to be able to demonstrate the following attributes:

#### **Board Member Attributes**

Leadership	Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

#### **Recommendations 2.3 and 2.4**

**A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director (2.3).**

**A majority of the board of a listed entity should be independent directors (2.4).**

The Board assesses directors against the criteria established by the ASX Corporate Governance Council to ensure they are in a position to exercise independent judgement. The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

Having regard to the holding of share interests in the Company, no director is declared as independent at the reporting date of 2015. The Board considers that the Company is reliant upon the business relationships and interests that it has with the non-independent directors in order to achieve its objectives at this time. Until such time as the Company is of a

size that warrants the appointment of independent directors, the Board is of the view that the absence of independent directors is not an impediment to its operations, shareholders or other stakeholders.

Any director who considers that he/she has a conflict of interest in a matter before the Board must disclose that conflict, and, if necessary withdraw from any discussion on that matter, and not vote on that matter.

Details of the Board of directors, their appointment dates and length of service are as follows:

Director's name	Appointment date	Length of service at reporting date
Min Yang	9 September 2005	10 years
Nga Fong (Alex) Lao	30 November 2006	9 years
Quan (David) Fang	9 September 2005	10 years
Wai Sang Ho	30 November 2006	9 years
Geoff Baker	30 November 2006	9 years
Xin Zhang	8 February 2010	5 years
Yong Jiang	30 November 2012	3 years
Chi Yuen (William) Kuan	1 April 2014	1 year
Louis Chien	1 May 2015	4 months

***Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.***

The Chairman is not an independent director. The Board believes that even though the Chairman is not an independent director she is able to make quality and independent judgements on all relevant issues falling within the scope of the role of a Chairman.

The roles of Chairman and CEO are currently exercised by the same individual which is believed to be appropriate at this stage in the Company's development.

***Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.***

The Company does not have in place a formal induction program or professional development program for directors. The Chairman is responsible for providing all information considered necessary to an incoming director to enable them to contribute to the business of the Company. Directors are responsible for their own development which includes identifying opportunities for them to attend courses or other information sessions to enhance their skills and knowledge.

### **Principle 3: Act ethically and responsibly**

**Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.**

The Group recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety.

The Company has adopted a code of conduct to guide compliance with legal and other obligations to stakeholders of the Company. This code provides guidance to directors and management on practices necessary to maintain confidence in the integrity of the Company.

### **Principle 4: Safeguard integrity in corporate reporting**

***Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting,***

***including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.***

The Company has an established Audit Committee with Mr Geoff Baker as Chairman and one other member, Mr Louis Chien. The Board believes that even though Mr Geoff Baker is not an independent director, he is able to make quality and independent judgements on all relevant issues falling within the scope of the role of Audit Committee Chairman.

A formal charter of the Audit Committee is available at the Company's website.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.***

For the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the Chairman and Company Secretary of the Company, in the capacity of CEO and CFO respectively, provided the Board with the required declarations.

***Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.***

The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

#### **Principle 5: Make timely and balanced disclosure**

***Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.***

The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that Company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Established policies also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

#### **Principle 6: Respect the rights of security holders**

***Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.***

The Company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Company's website.

#### **Recommendations 6.2 and 6.3**

***A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).***

***A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).***



The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

The Company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to.

***Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.***

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Boardroom Pty Limited at [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au).

## **Principle 7: Recognise and manage risk**

### ***Recommendations 7.1 & 7.2***

***The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).***

***The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).***

The Company does not maintain a Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the Company's effectiveness in managing it. The Company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls.

***Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.***

The Company does not have a dedicated internal audit function. The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board.

Practices have been established to ensure:

- prior Board approval is obtained for capital expenditure and revenue commitments above specified thresholds and limits as determined by the Board from time to time;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel; and

- financial reporting accuracy and compliance with the financial reporting regulatory framework.

**Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

Refer to the Company's Annual Report for disclosures relating to the Company's material business risks (including any material exposure to economic, environmental or social sustainability risks). Refer to commentary at Recommendations 7.1 and 7.2 for information on the Company's risk management framework.

#### **Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

Due to the small number of executives, the Company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board.

The Board therefore performs the function of such a committee which includes setting the Company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board and senior executives. The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate.

**Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.**

Non-executive directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees.

All executives receive fees and also may receive performance incentives in the form of shares. The Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies.

Executives may be entitled to participate in shares issued under the employee share plan.

Options may be issued to directors and company executives as part of their remuneration. Its purpose is to provide directors and company executives with an opportunity to share in the potential growth in value of the Company's shares and to encourage them to improve the performance of the Company and its return to shareholders.

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Remuneration report, within the Director's Report. All remuneration paid and shares issued to executives are valued at a cost to the Company and expensed.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

**Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it**

The use of derivatives or other hedging arrangements for unvested securities of the Company or vested securities of the Company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this will be disclosed.