

**AFT CORPORATION LIMITED**

**ABN 33 004 701 062**

**And Controlled Entities**

**Annual Report**

**For the Financial Year**

**Ended 31 December 2011**

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

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**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
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**CORPORATE INFORMATION**

<b>Directors:</b>	Stone Wang – Executive Director John Zhang – Executive Director Neil Bourne – Non Executive Director
<b>Secretary:</b>	Maurice Watson
<b>Registered Office:</b>	Suite 104, Level 1, 6-12 Atchison Street, St Leonards, New South Wales 2065
<b>Auditors:</b>	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney, NSW, 2000
<b>ASX Home Branch:</b>	Australian Securities Exchange 2, The Esplanade Perth, WA, 6000
<b>Bankers:</b>	ANZ Banking Group Limited Cnr King & George Streets Sydney, NSW, 2000  HSBC Bank Australia 28 Bridge Street Sydney, NSW, 2000  National Australia Bank Level 15, Ernst & Young Building 680 George Street, Sydney NSW 2000
<b>Share Registry:</b>	Registries Limited Level 7, 207 Kent Street Sydney, NSW, 2000 Telephone: (02) 9290 9600, Facsimile: (02) 9279 0664
<b>Solicitors:</b>	Juris Bridge Suite 1104, Level 11 265 Castlereagh Street Sydney, NSW, 2000

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**EXECUTIVE DIRECTOR'S REVIEW**

The Year in Perspective

Dear Shareholders,

In the financial year of 2011, your company achieved an increase in sales by over 20% from 2010 to more than \$17 million and net profit to \$970k, thanks to the hard work of the team of AFT Corporation Ltd and its subsidiaries.

The first half year was very successful, however the closure of the solar feed-in-tariff in NSW and other States meant that in the second half year the company experienced a slowdown in sales.

However, the board still believes the direction of providing energy saving solutions such as solar, LED related services and other products are sustainable with a great potential.

Firstly, Artemis Building Systems Pty Ltd (ABS), one of the AFT subsidiaries, has experienced increasing inquires about solar and LED products in both residential and commercial sectors in Q1 2012 when compared to Q4 2011.

Secondly, ABS also received very strong feedback from the market about its newly introduced services and products. The management believes that these have great potential for future growth.

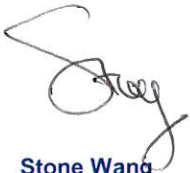
Thirdly, the company expects strong demand of our solar and LED products particularly in the commercial sector due to the increasing cost of electricity and the impact of the Carbon Tax which will be effective from July 1, 2012.

During 2012, the company will continue to expand its energy saving related business including Solar, LED lighting and other energy saving technology and products. In the short term however, the Board does not expect the growth in these new activities to fully compensate for the reduction in sales caused by the weakness in the solar distribution business.

The focus for this year will be exploiting new opportunities in energy saving related products and services that are not fully reliant on government support.

I would like to ask all shareholders for their support in rebuilding the fortunes of AFT Corporation Ltd. The Board and Management of the Group expect 2012 to be a year of great development for AFT Corporation Ltd and its subsidiaries.

Yours sincerely,



**Stone Wang**  
**Executive Director**

**Sydney New South Wales**  
**Date: 29 March 2012**

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**CORPORATE GOVERNANCE STATEMENT**

**Corporate Governance**

The Board of Directors of AFT Corporation Ltd has adopted the following set of principles for the corporate governance of the Company and its controlled entities ("the Group"). The Board believes that, throughout the 2011 financial year and to the date of this report, it has complied with Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations except as noted below. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

**ASX Best Practice Recommendations**

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a group considers that a recommendation is inappropriate having regard to its particular circumstances, the group has the flexibility not to follow it. Where a group has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the Group has and has not complied in the reporting period.

Details of the Group's corporate governance practices in the relevant reporting period are set out below.

**The Board of Directors**

**Role of the Board**

The primary responsibilities of the Board include:

- The establishment of the long term goals of the Group and strategic plans to achieve those goals.
- Monitoring the achievement of those goals; the review of management accounts and reports to monitor the progress of the Group.
- The review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance.
- The review and approval of the annual and half-year financial reports.
- Nominating and monitoring the external auditor.
- Approving all significant business transactions.
- Appointing and monitoring senior management.
- All remuneration, development and succession issues.
- Ensuring that the Group has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis. Of necessity, because of the size and scope of the Group's operations there is a substantial overlap between Board and management functions in all entities within the AFT Group.

**Board Composition**

The Directors' report contains details of the directors' skills, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Group's business with excellence. Therefore, the Board has an appropriate mix of commercial and industry experience.

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**CORPORATE GOVERNANCE STATEMENT**

The Board comprises three directors. Details of the Directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The majority of the shareholders must approve the selection of the directors.

**Retirement and Re-election of Directors**

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

**Independence of Directors**

The Board has reviewed the position and association of each of the three directors in office at the date of this report and considers that none of the directors is independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

Mr Stone Wang and Mr John Zhang's directorships are held in an executive capacity by the Group.

**Independent Professional Advice**

With the prior approval of the Board, each director has the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as directors.

**Board Performance Review**

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Group has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Group against budgeted targets on an ongoing basis.

**Directors' Remuneration**

Details of the Group's remuneration policies are included in the Remuneration Report section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than the period of notice of termination as detailed in the executive's employment contract. Equity-based remuneration to executives is approved by shareholders.

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**CORPORATE GOVERNANCE STATEMENT**

**Managing Business Risk**

The Group maintains policies and practices designed to identify and manage significant business risks, including:

- Regular budgeting and financial reporting; procedures and policy controls to manage financial exposures and operational risks.
- The Group's business plan which is revised annually.
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans.
- Insurance and risk management programmes which are reviewed periodically by the Board.

The Board reviews these systems and the effectiveness of their implementation regularly and considers the management of risk at its meetings as an ongoing function of the Board. The Group's risk profile is, as a consequence, reviewed regularly. The Board may consult with the Group's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director annually provides a formal statement to the Board that in all material respects and to the best of his knowledge and belief. The Group's financial report presents a true and fair view of the Group's financial condition and operational results and is in accordance with relevant accounting standards; and the Group's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

**Internal Controls**

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- Ensure appropriate follow-up of significant audit findings and risk areas identified.
- Review the scope of the external audit to align it with Board requirements.
- Conduct a detailed review of published accounts.

**Audit Committee**

Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. However, meetings are held throughout the year between the Managing Director, members of the board individually, the full board and the Group's auditors to discuss the Group's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

**Ethical Standards**

The Directors are committed to establishing and maintaining practices throughout the AFT Group to maintain confidence in the Group's integrity. Public ownership corporate governance principles and controls are applied. All relevant policies are directed towards fair and ethical dealings with suppliers, customers and other stakeholders. All related party relationships are carefully monitored and disclosed and conflicts of interest dealt with appropriately.

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**Trading in the Group's Securities by Directors and Employees**

Directors and employees are prohibited by law from dealing in the Group's securities whilst in possession of price sensitive information and all directors and employees are aware of this, and their obligations and responsibilities in relation to disclosure through the ASX of changes in director's shareholdings.

**Continuous Disclosure**

The Group's policies and procedures on continuous disclosure are designed to ensure that the Group and the Board comply with ASX Listing Rule requirements on disclosure. The procedure adopted by the Group is essentially that any information which may need to be disclosed is considered by the Managing Director and or individual Directors and any other appropriate personnel to determine whether disclosure is required. If an announcement is required it is made within the timeframe required under the ASX Listing Rule on disclosure. The written policy of the Group is as follows.

**Directors have the duty to immediately notify the ASX of material information**

The Group's policies require that all directors ensure compliance with continuous disclosure of the Corporations Act 2001. As such, once a director becomes aware of such information he/she needs to consult with other board members and forward the information to the secretary within 24 hours for disclosure with the ASX.

The ASX listing rules require companies to disclose to the market any information that might have a material effect on the company's share price.

There are however exceptions to this requirement and the rule and exceptions are as follows:

**General Rule – listing rule 3.1**

Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

**Exceptions**

Listing rule 3.1 does not apply to particular information while all of the following are satisfied.

3.1A.1: A reasonable person would not expect the information to be disclosed.

3.1A.2: The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

3.1A.3: One or more of the following applies.

- It would be a breach of law to disclose the information.
- The information concerns an incomplete proposal or negotiation.
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure.
- The information is generated for the internal management purposes of the entity.
- The information is a trade secret.

**Shareholders**

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Group. Information is communicated to shareholders as follows:

- As the Group is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Group's continuous disclosure policy, including half-year reviewed accounts, year end audited accounts and an annual report.
- The Board ensures the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.



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- Shareholders are advised in writing of key issues affecting the Group by effective use of the Group's share registry.
- Any proposed major changes in the Group's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001.
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Group.
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

#### ASX Best Practice Recommendations

Pursuant to the ASX Listing Rules, the Group details the extent to which it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council:

- Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.  
The role of the Board and its primary responsibilities are set out above.
- Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.  
The review process is disclosed above. The Group does not have a formal review process in place as two of the directors are executives and they comprise the entire management team.
- Recommendation 2.1: A majority of the Board should be independent directors.  
None of the Directors satisfies the test of independence. Mr Stone Wang and Mr John Zhang are both currently fulfilling an executive role and Mr Neil Bourne is a retired executive of AFT. Given the nature and size of the Group, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the Directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders. If a conflict of interest arises, the Director concerned abstains from any voting and absents himself from the discussion.
- Recommendation 2.2: The Chair should be an independent director.  
Due to the size of the Group, the number of executives and employees, the board does not view that a separate Chairperson warranted. The role of Chairperson is filled by Mr Stone Wang.
- Recommendation 2.3: The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.  
The role of Chair and Chief Executive Officer is fulfilled by Mr Stone Wang. Given the size of the Group, the number of executives and employees the Board does not view a separation of the roles as warranted. As a matter of policy, key decisions are reviewed with Mr John Zhang and Mr Neil Bourne, both Board Members.

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- Recommendation 2.4: The Board should establish a Nomination Committee.

The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

- Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

This is disclosed in the notes above. The executive directors are assessed against the performance of the Group against budget on an ongoing basis. Due to the current size of the Group and its financial position no other criteria is deemed necessary by the board in measuring board or individuals' performance.

- Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to :
  - The practices necessary to maintain confidence in the Group's integrity.
  - The practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders.
  - The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

No formal code of conduct has been established as to practice necessary to maintain confidence in the Group's integrity or as to reporting and investigating unethical practices. Due to the size of the Group, it is not considered that a code of conduct or reporting guide is yet necessary.

- Recommendation 3.2: Diversity Policy

Listed entities should establish a policy concerning diversity.

The policy or a summary of that is to be disclosed.

The policy should include a requirement for the board to:

Establish measurable objectives for gender diversity:

Assess annually the objectives set for achieving gender diversity ; and

Assess annually the progress made towards achieving the objectives set.

Recommendation 3.3: Annual reporting on proportion of women:

Listed entities should disclose in each annual report the measurable objectives set by the board in accordance with the diversity policy. Listed entities should disclose in each annual report the progress made towards achieving the objectives that have been set.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

In relation to recommendations 3.2 to 3.4, the company has a total of 13 full time and part-time employees. There were 5 full time or part time female employees. There were no women in senior executive positions or on the board. Due the size of the company the board recognises that it is difficult to achieve gender diversity across all areas of the company's workforce.

However, the board has a policy not to discriminate against any person on the basis of gender.

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- Recommendation 3.5: Guide to reporting on Principal 3

Listed entities should provide the information indicated in the Guide to reporting on Principle 3.

An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4, or 3.5 should be included in the Corporate Governance statement in the Annual Report.

Any applicable code of conduct, and the diversity policy, or a summary of them, should be made publicly available, ideally on the entity's website in a clearly marked "Corporate Governance" section.

- Recommendation 4.1: The Board should establish an Audit Committee.
- Recommendation 4.2: Structure of the Audit Committee so that it consists of:
  - Only Non-Executive Directors;
  - A majority of Independent Directors;
  - An independent Chairperson, who is not chairperson of the Board;
  - At least three members.

- Recommendation 4.3 The Audit Committee should have a formal charter.

In relation to recommendations 4.1 to 4.3, the functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. As there are only 3 Board members, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, nor is it possible at this stage to comply with Recommendation 4.2. However, meetings are held between the Board and the auditors throughout the year to discuss the Group's ongoing activities, to discuss any proposed changes prior to their implementation, and to seek advice in relation thereto. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.

- Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company's policy on continuous disclosure is included on the preceding pages.

- Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Group's communication policy is set out above and reflects policies that were in place during the reporting year.

As set out above, the Board has established policies on risk oversight and management.

- Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

These policies are disclosed above.

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- Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Group's risk management and internal compliance and control system is being operated and supervised by the executive directors and so they have direct knowledge of the management of material business risks.

- Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation financial reporting risks.

The board has received this assurance from the Managing Director.

- Recommendation 8.1: The Board should establish a Remuneration Committee
- Recommendation 8.2: The remuneration committee should be structured so that it:

- Consists of a majority of independent directors
- Is chaired by an independent chair
- Has at least three members

- In relation to recommendations 8.1 and 8.2, the functions performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Group's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Group's circumstances.
- Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The distinction between non-executive and executive remuneration is detailed above.

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#### DIRECTORS' REPORT

The Board of Directors of AFT Corporation Ltd has pleasure in submitting its report on the Company and its controlled entities (the "Group" or the "Consolidated Entity") in respect of the financial year ended 31 December 2011.

#### Directors and Company Secretary

The names of directors in office at any time during or since the end of the financial year are:

Name	Role	Date of Appointment
Stone Wang	Executive Director	21 December 2007
John Zhang	Executive Director	6 April 2009
Neil Bourne	Non-Executive Director	14 February 2007

Mr Stone Wang was appointed to the Board on 21 December 2007. He graduated as a Master of Science from University of Sydney. He has extensive experience in business in both Australia and China. Mr Stone Wang does not hold any other directorships in other listed companies and is currently the Chief Executive Officer and Chairman of the Group.

Mr John Zhang was appointed to the Board on 6 April 2009. He was educated in China at the Guangdong Foreign Trade College and has extensive experience in import/export between Australia and China. He worked in a public listed company in Hong Kong and has been residing in Australia for 10 years. Mr John Zhang does not hold any other directorships in listed companies.

Mr Neil Bourne was appointed to the Board on 14 February 2007. He holds a Masters in Business Administration and Bachelor of Science in Electronic Engineering. Mr Neil Bourne does not hold any other directorships in listed companies.

#### Company Secretary

Maurice Watson – CA

Maurice Watson is a member of the Institute of Chartered Accountants and has been in public practice as a principal for 18 years.

#### Directorships of Other Listed Companies

The Directors did not hold any directorship in any other listed companies.

#### Directors' Interest in Equity Instruments

Relevant interests of the Directors in the shares and options of the Group, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, as at the date of this report, are:

Name	Ordinary Shares Number		Unlisted Options over Ordinary Shares Number	
	1 Jan 2011	31 Dec 2011	1 Jan 2011	31 Dec 2011
Stone Wang	613,405,340	613,405,340	-	-
Neil Bourne	40,000,000	40,000,000	-	-
John Zhang	-	-	-	-

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#### DIRECTORS' REPORT

#### Directors' Meetings

During the period, there were 8 meetings of directors, and 0 circulating resolutions pursuant to the Group's Constitution.

The attendance of directors was as follows:

	Held	Eligible	Attended
Stone Wang	8	8	8
John Zhang	8	8	8
Neil Bourne	8	8	8

As at the date of this report, the Company does not have a separately constituted audit committee. The Company is not of a size, nor are the affairs of a complexity, sufficient to warrant the existence of a separate audit committee. All matters, which could be delegated to such a committee, are dealt with by the full Board.

#### Principal Activities

The principal activity of the Consolidated Entity during the year was the marketing and sales of solar panel products by Artemis Building Systems Pty Ltd.

#### Operating Results

The result for the financial year ended 31 December 2011 after income tax is a profit of \$970,855.

#### Dividends

Since the end of the previous financial year, no dividends have been paid or declared by the Group, and the directors of the Group recommend that no dividend be provided for the year ended 31 December 2011.

#### Review of Operations

During the 2011 year the company has continued its focus on the design and supply of solar photovoltaic cell panels for retail, commercial and wholesale markets. AFT Corporation Ltd through its subsidiary Artemis Building Systems (ABS) continues to have a strong national presence as reliable supplier of quality photovoltaic products and solutions. Plus ABS has strong technical skills in the area of glass curtain walls and facades that combine energy efficiency and a clean modern look for building exteriors.

In January 2011, the company obtained a debt factoring facility from the NAB of up to \$2.5 million. This facility was personally guaranteed by the directors. The facility was obtained to assist in funding further growth in the revenue of the company.

In the first half of the year to 30 June 2011 the company achieved revenues of \$13.3million and a net profit of \$799,000 after provision for income tax. This was significantly higher than the same period in 2010. The revenue in the first half of 2010 was \$4.9million.

On 31 May 2011 the Company held their Annual General Meeting at which all the resolutions were passed

Also, in the early part of the 2011 year, the board and management of the company recognised the need to expand the company's product base because of the expected drop in the feeder tariffs by the NSW state government. Foreseeing the

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#### DIRECTORS' REPORT

change in the market, the company continued to search for additional products that were compatible with its focus on energy saving solutions for businesses. As a result the company now also distributes a range of LED lighting and has made some initial sales of these products in the 4<sup>th</sup> quarter of 2011.

Sales from the LED lighting products are expected to continue to grow in 2012 and while they will not completely replace the loss of revenue from solar panels, they play a significant part in the foundations of the company's revenues.

In 2012 the company will continue to explore opportunities to rebuild revenue growth and improve shareholder value within the company's focus on energy saving products and services.

At the corporate level AFT with the objective of continuing to focus on growing the company's revenues but also keeping overhead and operational costs to a minimum, the company will continue to maintain small teams of employees in Sydney, Melbourne and China to undertake both business development and technical support in the areas of solar PV, BIPV and other energy saving products.

#### **Cash Flow**

Costs are being tightly controlled and the Group has adequate cash- flows to fund current operations and additional funds will be raised when there is a need.

#### **Financial Position**

The net assets of the consolidated entity have increased by \$981,016 from 31 December 2010 to \$4,130,565 in 2011.

#### **Risk Management**

Procedures have been established by the Board to ensure the Company's risk management and internal compliance and control system continues to operate efficiently and effectively in all material respects.

#### **Significant Changes in State of Affairs**

There were no matters that significantly affected the state of affairs of the consolidated entity during the financial year, other than the following:

- The Group generated more than \$17 million in revenues this year.
- The first half year was very successful, however the closure of the solar feed-in-tariff in NSW and other States meant that in the second half year the company experienced a slowdown in sales.

#### **Events Subsequent to Balance Date**

There are no material subsequent events since the year ended 31 December 2011.

#### **Future Developments**

The particular information required by section 299(1)(e) of the Corporations Act 2001 has been omitted from the report because the directors believe that it would result in unreasonable prejudice to the consolidated entity.

#### **Environmental Issues**

The consolidated entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

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**DIRECTORS' REPORT**

**Remuneration Report**

This report details the nature and amount of remuneration for each key management person of the Group, and for the executives receiving the highest remuneration.

**Key Management Personnel Remuneration**

The Group's policy for determining the nature and amount of emoluments of key management personnel of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group.
- The contracts for service between the Group and the specified directors and executives are on a continuing basis. Mr Stone Wang's contract is for a period of three years from 1 January 2008 with options to renew for further three years. Mr Stone Wang's salary package was determined in accordance with independent expert advice.
- The Group seeks to emphasise payment for results through providing various incentive payments based on share price performance and other financial and strategic and operational targets. Bonuses included below are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and to provide a common interest between management and shareholders.

Recognising the Group's requirement to preserve cash at this point, the Directors have voluntarily elected to increase the portion of their compensation packages paid in the form of shares. These shares were issued under the Employee Share Based Loan Plan explained on pages 18 to 19.

Details of the nature and amount of each element of the compensation of each key management personnel of the Group are shown below:

**2011**

<i>Key Management Personnel</i>	Short-term Benefits		Post-employment Benefits	Share-based payment		Total	Performance Element of Remuneration
	Cash, salary and commissions	Non-cash benefit	Super-annuation	Equity	Options		
	\$	\$	\$	\$	\$	\$	%
Stone Wang	216,641	-	17,248	-	10,161	244,050	-
Neil Bourne	39,000	-	3,510	-	-	42,510	-
John Zhang	165,000	-	13,500	-	-	178,500	-
<b>Total</b>	<b>420,641</b>	<b>-</b>	<b>34,258</b>	<b>-</b>	<b>10,161</b>	<b>465,060</b>	<b>-</b>

\$50K was paid to Stone and \$30K was paid to John for their guarantee to NAB to get the \$1.5M Credit Facility. An \$80K has been included in the short-term benefits paid to Stone and John.



**AFT CORPORATION LIMITED - ABN 33 004 701 062**

**and Controlled Entities**

**DIRECTORS' REPORT**

**2010**

**Key Management Personnel**

	Short-term Benefits		Post-employment Benefits	Share-based payment		Total	Performance Element of Remuneration
	Cash, salary and commissions	Non-cash benefit	Super-annuation	Equity	Options		
	\$	\$	\$	\$	\$	\$	%
Stone Wang	140,682	-	10,412	-	-	151,094	-
Neil Bourne	30,000	-	2,700	-	-	32,700	-
John Zhang	100,002	-	7,650	-	-	107,652	-
<b>Total</b>	<b>270,684</b>	<b>-</b>	<b>20,762</b>	<b>-</b>	<b>-</b>	<b>291,446</b>	<b>-</b>

**Key Management Personnel Option Details**

Name	Balance 1 Jan 2011	Received as Compensation	Options Exercised	Net Change Other	Balance 31 Dec 2011
	\$	\$	\$	\$	\$
Stone Wang	124,879	-	-	-	124,879
Neil Bourne	-	-	-	-	-
John Zhang	-	-	-	-	-
<b>Totals</b>	<b>124,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,879</b>

Name	Balance 1 Jan 2010	Received as Compensation	Options Exercised	Net Change Other	Balance 31 Dec 2010
	\$	\$	\$	\$	\$
Stone Wang	124,879	-	-	-	124,879
Raymond Seeto (Resigned 7 June 09)	-	-	-	-	-
Neil Bourne	14,287	-	-	(14,287)	-
John Zhang	-	-	-	-	-
<b>Totals</b>	<b>139,166</b>	<b>-</b>	<b>-</b>	<b>(14,287)</b>	<b>124,879</b>

**Company Performance and Shareholder Wealth**

	2007	2008	2009	2010	2011
Revenue \$'000	680	301	7,391	14,136	17,211
Net Profit (Loss) \$'000	(5,811)	(1,121)	(419)	1,004	971
Share Price at Year-end (Cents per share)	0.001	0.001	0.001	0.002	0.001
Dividends paid	-	-	-	-	-

*End of Audited Remuneration Report*

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**DIRECTORS' REPORT**

**Employee and Director Share based Loan Plan**

The Board introduced an employee/directors share plan in 2008 called the AFT Corporation Limited Employee Loan Plan (Loan Plan). The Board believes the introduction of the Loan Plan is in the best interests of AFT Corporation Limited (the "Company"). The purpose of the Loan Plan is to better align the interests of shareholders and the employees/directors of AFT Corporation Limited (Employees) by linking the rewards of Employees to the long-term success of the Company. The Loan Plan will facilitate a comprehensive remuneration strategy for the Employees.

There were no new loans provided to the employees and directors of the Company this year, other than as disclosed in Note 24.

The Board believes the Loan Plan will:

1. create a stronger link between the shareholders, the Employees and the Company's overall financial performance as reflected by the performance of the Company's shares;
2. provide a direct remuneration linkage between any dividends received by shareholders and the rewards of Employees; and
3. increase productivity through increased participation in the Company by the Employees as shareholders.

Some of the key terms of the Loan Plan are set out below, the full Loan Plan Rules are available upon request from the Company Secretary.

*Maximum number of shares that can be issued*

The maximum number of shares subject to the Loan Plan rules shall not exceed 15% of the issued capital of the Company.

*Manner of acquisition*

The Employees will be invited to subscribe for a new issue of the Company's shares. Generally, shares will be issued to the Employees at an issue price set by the Board with reference to the market price at the date of the allocation, being the weighted average price at which those shares were traded on the ASX over the one week period before the date of allocation and if there were no transactions on the ASX during that one week period, the last price at which an offer was made on the ASX in that period to buy such a share. A Company provided loan as outlined below would fund the acquisition cost of the shares. The shares will be registered in the name of the Employees, but will remain subject to restrictions on dealing as specified by the Board (which may include applying a holding lock to the shares) until the Employees become entitled to withdraw the shares from the Loan Plan (see below).

*Performance hurdles*

The Board will specify the performance hurdles that will generally need to be satisfied before the Employees may withdraw their shares from the Loan Plan. Performance hurdles may include minimum tenure periods (Vesting Scale) and performance criteria specified by the Board at the time of the invitation. Generally, provided any loans outstanding have been repaid, the Employees may withdraw their shares from the Loan Plan once the applicable performance hurdles have been satisfied.

*Loan and security*

The Company may extend a loan to enable the Employees to acquire shares under the Loan Plan as determined by the Board. Generally speaking, the loan is repayable within five years.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**DIRECTORS' REPORT**

Loans under the Loan Plan are limited recourse in nature, which means that if at the date that the loan becomes repayable, the Employee's shares are worth less than the outstanding balance of the loan, the Company cannot recover the difference from the Employee. If at the date that the loan becomes repayable the proceeds of sale of the shares exceeds the total amount of the loan owing to the Company by the Employee, then subject to satisfaction of any performance hurdles, the surplus proceeds shall be paid by the Company to the Employee. Interest will not be payable on the outstanding balance of the loan.

As security for the loan, the Employee will pledge the shares acquired under the Loan Plan to the Company at the time the financial assistance is provided and will grant a charge over any benefits attributable to those shares, including bonus shares, rights and dividends. Under the terms of the loan, the Employee authorises and directs the Company to:

1. sell, if possible, any rights or other tradeable benefits attributable to the shares held by the Employee under the Plan and pay the proceeds to the Company in reduction of the outstanding balance of the Employee's loan;
2. with the exception of dividends, pay any other payments attributable to Plan shares or any associated bonus shares, including any capital repayment, to the Company in reduction of the outstanding balance of the Employee's loan; and
3. hold any bonus shares as security until the Performance Hurdles have been satisfied and the loan is repaid in full.

Loans or other financial assistance will only be extended to the Employees as permitted by the Corporations Act. Dividends on the shares the subject of the Loan Plan will be paid to the Employees' nominated bank accounts.

**Indemnification of Officers and Auditors**

The consolidated entity has during the financial year provided a letter of indemnity to directors and officers of the Company. No insurance policy has been entered into for the directors and officers.

**Proceedings on Behalf of the Company**

There was no proceedings on behalf of the company during the year to 31 December 2011.

**Non-Audit Services**

The directors are satisfied that the provision of non-audit services, during the year, by the auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the directors to ensure they do not impact the integrity and objectivity of the auditor.
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.
- No non-audit services were provided by the Group's auditor during the year.

**Auditor's Independence Declaration**

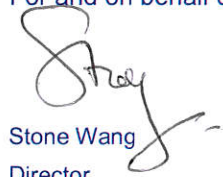
The auditor's independence declaration required by section 307C of the Corporations Act 2001 is included immediately following this Director's Report and forms part of the Director's Report.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2)(a) of the Corporations Act 2001.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**DIRECTORS' REPORT**

For and on behalf of the Board.

A handwritten signature in black ink, appearing to read 'Stone Wang', with a stylized flourish extending to the right.

Stone Wang  
Director

Sydney, New South Wales  
Date: 29 March 2012

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**Auditor's Independence Declaration  
To the Directors of AFT Corporation Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of AFT Corporation Limited for the year ended 31 December 2011, 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 AUDIT PTY LTD  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Sydney, 29 March 2012

**AFT CORPORATION LIMITED – ABN 33 004 701 062**  
**and Controlled Entities**

<b>STATEMENT OF COMPREHENSIVE INCOME</b> <b>FOR THE YEAR ENDED 31 DECEMBER 2011</b>
--

	Note	Consolidated Entity	
		2011	2010
		\$	\$
Revenue	2	17,211,028	14,136,352
Other Income	2	294,640	74,134
<b>Subtotal</b>		<b>17,505,668</b>	<b>14,210,486</b>
Raw Materials/Consumables Used	3	(14,165,034)	(11,196,860)
Occupancy & Administration Expense		(91,642)	(97,846)
Audit & Accounting Fees		(148,454)	(191,748)
Finance Costs		(1,106)	(2,756)
Salaries and Wages		(618,048)	(432,218)
Payment to directors for loan guarantee		(80,000)	-
Directors' Remuneration		(340,641)	(270,121)
Depreciation and Amortisation Expense	3	(20,162)	(18,121)
Impairment Expense	3	-	(50,000)
Other Expenses	3	(1,069,726)	(946,492)
<b>Profit Before Income Tax</b>		<b>970,855</b>	<b>1,004,324</b>
Income Tax Expense	4	-	-
<b>Profit attributed to members of the parent entity</b>		<b>970,855</b>	<b>1,004,324</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year attributed to members in the parent entity</b>		<b>970,855</b>	<b>1,004,324</b>
<b>Earnings per share:</b>			
From continuing and discontinued operations:	20		
Basic and diluted earnings per share (cents)		0.0158	0.0163

*The financial statement should be read in conjunction with the accompanying notes.*

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	Note	Consolidated Entity	
		2011	2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	3,121,090	1,041,945
Trade and other receivables	7	982,074	1,293,929
Inventories	8	879,212	1,745,430
Other assets	9	4,036	33,537
<b>TOTAL CURRENT ASSETS</b>		<b>4,986,412</b>	<b>4,114,841</b>
<b>NON-CURRENT ASSETS</b>			
Other Financial Assets	10	-	-
Property, plant and equipment	11	78,973	88,867
<b>TOTAL NON-CURRENT ASSETS</b>		<b>78,973</b>	<b>88,867</b>
<b>TOTAL ASSETS</b>		<b>5,065,385</b>	<b>4,203,708</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	862,819	942,577
Unearned Revenue	13	-	47,481
Borrowings	14	1,603	18,272
Provisions	16	56,189	38,044
<b>TOTAL CURRENT LIABILITIES</b>		<b>920,611</b>	<b>1,046,374</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	16	14,209	6,182
Borrowings	14	-	1,603
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>14,209</b>	<b>7,785</b>
<b>TOTAL LIABILITIES</b>		<b>934,820</b>	<b>1,054,159</b>
<b>NET ASSETS</b>		<b>4,130,565</b>	<b>3,149,549</b>
<b>EQUITY</b>			
Issued capital	17	103,126,740	103,126,740
Reserves	18	198,660	188,499
Retained earnings		(99,194,835)	(100,165,690)
<b>TOTAL EQUITY</b>		<b>4,130,565</b>	<b>3,149,549</b>

*The financial statement should be read in conjunction with the accompanying notes.*

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Issued Capital \$	Accumulated losses \$	Option reserve \$	Total equity \$
<b>CONSOLIDATED ENTITY</b>				
<b>At 1 January 2011</b>	103,126,740	(100,165,690)	188,499	3,149,549
Total comprehensive income for the period	-	970,855	-	970,855
Share based payments	-	-	10,161	10,161
<b>At 31 December 2011</b>	103,126,740	(99,194,835)	198,660	4,130,565
	Issued Capital \$	Accumulated losses \$	Option reserve \$	Total Equity \$
<b>CONSOLIDATED ENTITY</b>				
<b>At 1 January 2010</b>	103,126,740	(101,170,014)	139,166	2,095,892
Total comprehensive income for the period	-	1,004,324	-	1,004,324
Share based payments	-	-	49,333	49,333
<b>At 31 December 2010</b>	103,126,740	(100,165,690)	188,499	3,149,549

*The financial statement should be read in conjunction with the accompanying notes.*



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

<p><b>STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011</b></p>
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		Consolidated Entity	
	Note	2011	2010
		\$	\$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		19,490,121	15,467,055
Payments to suppliers and employees		(17,452,212)	(15,812,082)
Interest received	2	70,881	55,529
Finance costs		(1,106)	(2,756)
<b>Net cash provided by/(used in) operating activities</b>	28(b)	<b>2,107,684</b>	<b>(292,254)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant & equipment		(10,268)	(9,100)
<b>Net cash used in investing activities</b>		<b>(10,268)</b>	<b>(9,100)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		(18,272)	(16,622)
<b>Net cash used in financing activities</b>		<b>(18,272)</b>	<b>(16,622)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,079,144</b>	<b>(317,976)</b>
Cash and cash equivalents at beginning of financial period		1,041,945	1,359,921
<b>Cash and cash equivalents at end of financial period</b>	28(a)	<b>3,121,090</b>	<b>1,041,945</b>

*The financial statement should be read in conjunction with the accompanying notes.*

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

<b>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011</b>
--

**Note 1: Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report includes financial statements for the Consolidated Entity consisting of AFT Corporation Limited and its controlled entities ("Consolidated Group" or "Group").

AFT Corporation Limited is a company limited by shares incorporated & domiciled in Australia.

**a. Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue by the board on 29 March 2012.

**b. Statement of Compliance**

The financial report complies with Australian Accounting Standards, which ensures compliance with International Financial Reporting Standards (IFRS).

**c. Principles of Consolidation**

A controlled entity is any entity over which AFT Corporation Ltd has the power to govern the financial and operating policies to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 25 to the financial statements.

The consolidated financial statements comprise the financial statement of AFT Corporation Ltd and its subsidiaries (the "Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. As at the reporting date the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

<b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>FOR THE YEAR ENDED 31 DECEMBER 2011</b>
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**d. Foreign Currency Translation**

Both the functional and presentational currency of AFT Corporation Limited and its Australian subsidiaries is Australian dollars (A\$). The financial report is presented in Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange rate ruling at the balance sheet date.

All differences in the consolidated financial report are taken to a separate component of equity including differences of foreign currency borrowings that provided a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment.

Tax changes and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as the date of the initial transaction.

Non-monetary items measured at fair value in foreign currency are translated using exchange rates as at the date when the fair value was determined.

On disposal of a foreign operation the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

**e. Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

**f. Licence Fee/Royalty Income**

Royalty income is calculated based on a percentage of income derived from goods sold under licence agreement. This revenue crystallises on a specified date and is recognised at that time. Minimum licence fees are recognised in the period they become due and payable.

**g. Income Tax**

The charge for current income tax expense is based on the result for the period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable and deductible temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes, except where the temporary difference relates to the initial recognition of an asset or a liability in a transaction other than a business combination, where neither accounting profit nor taxable profit or loss is affected at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at balance date and reduced to the extent that it is no longer probable that sufficient taxable

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

<b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>FOR THE YEAR ENDED 31 DECEMBER 2011</b>
--

profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**h. Other Taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- Where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST payable or recoverable included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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

**i. Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

**j. Trade and Other Receivables**

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Non-current trade and other receivables consist of receivables from wholly owned entities. Settlement of these receivables is neither planned nor likely to occur in the foreseeable future.

**k. Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

<b>NOTES TO THE FINANCIAL STATEMENTS</b> <b>FOR THE YEAR ENDED 31 DECEMBER 2011</b>
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**i. Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated in a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 3 to 8 years.

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

*Impairment*

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**m. Intangible Assets other than Goodwill**

Acquired both separately and from a business combination.

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of AFT Corporation Ltd's intangible assets are assessed to be finite. The amortisation period for intangible assets is 15 years.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

**n. Recoverable Amount of Assets**

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such an indication exists, a formal assessment of recoverable amount is made. The recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered to be impaired and the excess is written off to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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**o. Trade and Other Payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

**p. Provisions**

Provisions are recognised when the Consolidated Entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of a past transaction or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted to their present values.

**q. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cashflows to be made for those benefits.

**r. Financial Instruments**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

*Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Available-for-sale financial assets*

Available-for-sale financial assets are reflected at their fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*Impairment*

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income.

**s. Share-based payment transactions**

Where the Group provides benefits to a director or employee of the Group in the form of share-based payment transactions, the employees render services in exchange for share or rights over shares ('equity-settled transactions').

The cost of the equity-settled transaction is measured by reference to the fair value at the date at which it is granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of AFT Corporation Ltd ('market conditions').

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

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The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**t. Contributed Equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the parent entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**u. Critical accounting estimates, assumptions and judgements**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity. Other than as described below there are no other key estimates or judgements that require disclosure.

*Key Estimates - Impairment & Intangible assets*

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The estimates and assumptions used in the value-in-use calculations concern the future. The accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions have a significant risk of being different due to changes in economic or market conditions and/or due to events outside the control of management, and cause material adjustment to the carrying amounts of assets and liabilities in future periods.

*Share-based payment transactions*

The Consolidated Entity measures the cost of equity settled transactions with Directors and employees by reference to the fair value of the equity instruments at the date at which they are granted.

The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**v. Going Concern**

The financial statements have been prepared on a going concern basis. In the opinion of the Directors, based upon review of cashflow requirements and the Group's business plan, the Company and its Controlled Entities are able to pay their debts as and when they fall due and there is no material uncertainty in this regard.

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**w. New standards and Interpretations not yet adopted**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Groups accounting policies for the first period after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Reference	Title	Summary	Effective Date	Impact on Group financial report
AASB 9 Financial Instruments	AASB 139 Financial Instruments: Recognition and Measurement (Part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	31 Dec 13	Management have yet to assess the impact that this amendment is likely to have on the financial statements of the group.
AASB 2011-4	Amendments to Australian Accounting to remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	The Standard makes amendments to AASB 124 Related Party Disclosure to remove individual key management personnel disclosure requirements. Refer to TA Alert 2011-13 for further details.	30 Jun 14	This will result in the removal of various key management personnel disclosures relating to disclosing entities within the financial report.



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Reference	Title	Summary	Effective Date	Impact on Group financial report
AASB 10 Consolidated Financial Statements	AASB 127	<p>AASB 10 established a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statement dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is consolidated to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights may give control.</p>	31 Dec 13	There is not expected to be any change entity from this standard.
AASB 13 Fair Value Measurement	None	<p>AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	31 Dec 13	There is not expected to be any change entity from this standard.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

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<p><b>NOTES TO THE FINANCIAL STATEMENTS</b>  <b>FOR THE YEAR ENDED 31 DECEMBER 2011</b></p>
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	Note	Consolidated Entity	
		2011	2010
<b>Note 2: Revenues</b>		<b>\$</b>	<b>\$</b>
Sale of goods and services		17,211,028	14,136,352
<b>Other income</b>			
Interest received		70,881	55,529
Foreign exchange gain		70,930	3,606
Licence fee		15,130	500
Other		137,699	14,499
Total other revenue		294,640	74,134
<b>Total revenues</b>		<b>17,505,668</b>	<b>14,210,486</b>
<b>Note 3: Expenses</b>			
Cost of sales		14,165,034	11,196,860
Depreciation, impairment and amortisation expense:			
- plant and equipment		20,162	18,121
- impairment of investment	1(u)	-	50,000
<b>Total depreciation, amortisation and impairment</b>		<b>20,162</b>	<b>68,121</b>
Other expenses			
-Consulting & management fees		7,500	51,574
-Legal costs		15,328	13,974
-Other operating expenses		1,046,898	880,944
<b>Total other expenses</b>		<b>1,069,726</b>	<b>946,492</b>

**Note 4: Income Tax Expense**

**Major components of income tax expense comprise:**

No income tax is payable by the Parent Company or any Subsidiary Company within the Consolidated Entity as the companies are either in a current year tax loss position or have sufficient prior year tax losses available to offset against current year taxable income. Deferred tax assets which may be derived from such losses have not been carried forward as an asset in the Statement of Financial Position since it is not considered probable that they will be utilised and will only be obtained if:

- (a) the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (b) the relevant company continue to comply with conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the relevant company in realising the benefit from the deduction of the loss.

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*Numerical reconciliation of accounting profit to tax expense*

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Profit before income tax	970,855	1,004,324
At the consolidated entity's statutory income tax rate of 30% (2010: 30%)	291,257	301,297
Non-deductable fines	-	-
Impairment of intangible asset	-	-
Utilisation of tax losses	(291,257)	(301,297)
Income tax expense reported	-	-

**Tax losses**

The Group has tax losses for which no deferred tax asset has been recognised in the Statement of Financial Position on the basis of, at this stage, it not being considered probable that these losses will be utilised.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Note 5: Auditors' Remuneration</b>		
<b>Auditor of the parent entity</b>		
Auditing or reviewing the financial report	65,500	66,600
	<u>65,500</u>	<u>66,600</u>

**Note 6: Cash and Cash Equivalents**

Cash and cash equivalents at bank	3,121,090	1,041,945
	<u>3,121,090</u>	<u>1,041,945</u>

**Note 7: Trade and Other Receivables**

**Current**

Trade and other receivables	982,074	1,293,929
	<u>982,074</u>	<u>1,293,929</u>

All receivable balances are 0-60 days old, there are no balances past due, impaired or not met in condition with trade terms.

There are no balances within the trade and other receivables that contain assets that are not impaired and are past due. It is expected that these assets will be received when due. Impaired assets are provided for in full.

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	Consolidated Entity	
	2011	2010
	\$	\$
<b>Note 8: Inventories</b>		
At cost		
Finished goods	879,212	1,745,430
	879,212	1,745,430
 <b>Note 9: Other Assets</b>		
Prepayment	4,036	33,537
	4,036	33,537
 <b>Note 10: Other Financial Assets</b>		
<b>Non-Current</b>		
Financial assets at cost	100,000	100,000
Less:		
Impairment provision	(100,000)	(100,000)
<b>Total non-current investments</b>	-	-

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost.

There are no balances within the other financial assets that contain assets that are not impaired and are past due. It is expected that these assets will be received when due. Impaired assets are provided for in full.

	2011	2010
	\$	\$
<b>Note 11: Property, Plant And Equipment</b>		
<b>Plant and equipment</b>		
- at cost	145,660	135,393
- accumulated depreciation	(66,687)	(46,526)
	78,973	88,867

**Movements in Carrying Amounts**

Movements in the carrying amounts for plant and equipment between the beginning and the end of the financial period:

	2011	2010
	\$	\$
Balance at the beginning of the period	88,867	97,889
Additions	10,268	9,099
Depreciation expense	(20,162)	(18,121)
<b>Carrying amount at the end of the period</b>	78,973	88,867

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	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
<b>Note 12: Trade and Other Payables</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade payables	643,921	327,585
Other payables	17,189	212,882
Accrued expenses	201,709	402,110
	<b>862,819</b>	<b>942,577</b>
<b>Note 13: Unearned Revenue</b>		
<b>Current</b>		
Customer deposits	-	47,481
	-	47,481
<b>Note 14: Borrowings</b>		
<b>Current</b>		
Hire purchase	1,603	18,272
	1,603	18,272
<b>Non-current</b>		
Hire purchase	-	1,603
	-	1,603

There are no balances within the trade and other payables that contain liabilities that are not impaired and are past due. It is expected that these liabilities will be paid when due.

Borrowing -Hire purchase is a capital hire purchase contract relating to a company Motor Vehicle purchase.

AFT have access to the following facilities with NAB:

\$1,500,000 cash flow supply chain finance facility, total amount unused as at 31 December 2011

\$500,000 international supply chain finance facility, total amount unused as at 31 December 2011

**Note 15: Lease commitment**

Non-cancellable operating lease contracted for but not capitalised in financial statements.

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Payable - not later than 12 months	43,792	41,586
- between 12 months and 5 years	30,201	73,992
- Greater than 5 years	-	-

The Property lease is a non-cancellable lease with a 3-year term, with rent payable monthly. Contingent lease provisions within the lease agreement require that minimum lease payments shall be increased 4% per annum and subject to annual CPI increases.

A Bank Guarantee amounting to \$19,767 (2010: \$19,797) has been provided in respect of the office premises.

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	2011	2010
	\$	\$
<b>Note 16: Provisions</b>		
<b>Current</b>		
Employee benefits	56,189	38,044
<b>Non-Current</b>		
Long Service Leave	14,209	6,182
<b>At the beginning of the period</b>	44,226	31,983
Additional provisions made	26,172	12,243
<b>Carrying at the end of the period</b>	70,398	44,226
	2011	2010
	\$	\$
<b>Note 17: Issued Capital</b>		
<b>Issued and paid-up capital</b>		
6,148,528,012 issued and fully paid ordinary shares	103,126,740	103,126,740
<b>Ordinary shares</b>	\$	\$
<b>At the beginning of reporting period</b>	103,126,740	103,126,740
Shares issued during the year (Note24)	520,000	-
Shares cancelled during the year (Note24)	(520,000)	-
<b>At reporting date</b>	103,126,740	103,126,740
<b>At the beginning of reporting period (1 January)</b>	6,148,528,012	6,148,528,012
Shares issued during the year (Note24)	520,000,000	-
Shares cancelled during the year (Note24)	(520,000,000)	-
<b>At reporting date (31 December)</b>	6,148,528,012	6,148,528,012

The company has authorised share capital amounting relating to 6,148,528,012 ordinary shares of no par value.

**Note 18: Reserves**

**Option reserve**

The option reserve is to provide for the potential cost to the company of executive directors exercising their options and share based payments as per the company's employee and director's share based loan plan.

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**Note 19: Contingent Liabilities**

At such time as the Company has funds available in excess of that required for it to obtain an admission to the Alternative Investment Market of the London Stock Exchange and above those sums required for the reasonable day to day running costs of AFT Corporation Ltd, a liability will crystallise to pay Philip Hall One Hundred and Fifty Thousand Pounds (£150,000) plus interest at the rate of 6% per annum from 31 August 2006 to the date of payment. As at 31 December 2011, the estimated interest liability is \$75,604. As it is contingent upon these conditions, this has not been included as a liability. There are no contingent liabilities other than this.

AFT have access to the following facilities with NAB:

\$1,500,000 cash flow supply chain finance facility, total amount unused as at 31 December 2011.

\$500,000 international supply chain finance facility, total amount unused as at 31 December 2011.

There is a directors guarantee from Stone Wang and John Zhang held by the bank as security against the \$1.5m facility and a term deposit of \$500k held by the bank as security against the \$500k facility above.

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
<b>Note 20: Earnings per Share</b>		
Basic and diluted earnings per share (cents)	0.0158	0.0163

**Basic and diluted earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Profit	970,855	1,004,324
Earnings used in the calculation of basic and diluted EPS	970,855	1,004,324

<b>Weighted average number of ordinary and shares used in the calculations of basic and diluted EPS</b>	<b>6,148,528,012</b>	<b>6,148,528,012</b>
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**Note 21: Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 30%. The gearing ratio's for the year ended 31 December 2011 and 31 December 2010 are as follows:

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	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Total borrowings	1,603	19,875
Less cash and cash equivalents	(3,121,090)	(1,041,945)
Net debt	(3,119,487)	(1,022,070)
Total equity	4,130,565	3,149,548
Total capital	1,011,078	2,127,478
Gearing ratio	Nil	Nil

**Note 22: Financial Risk Management**

**(a) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

**(b) Treasury Risk Management**

A finance committee consisting of board members who meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**(c) Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

The Group is not exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

*Interest rate risk* - Interest rate risk is managed with a mixture of fixed and floating rate debt.

*Foreign currency risk* - The Group is not exposed to fluctuations in foreign currencies arising from the sale in currencies.

*Liquidity risk* - The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

*Credit risk* - The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance 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.

*Price risk* - The Group is not exposed to commodity price risk.



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**(d) Foreign currency risk**

The Group was not exposed in the current year to fluctuations in foreign currencies arising from the sale in foreign currencies other than payment of contractual consulting fees and the payment for due diligence which was a one off transaction.

**(e) Interest rate risk**

The following table details the Consolidated Entity's exposure to interest rate risk as at the reporting date:

	<b>Weighted average effective interest rate</b>	<b>Interest bearing</b>	<b>Non- interest bearing</b>	<b>Total</b>
	%	\$	\$	\$
<b>2011 Consolidated</b>				
Financial assets	-	-	-	-
Cash and cash equivalents	3.75	3,121,090	-	3,121,090
Trade and other receivables	-	-	982,074	928,074
<b>Totals</b>		<b>3,121,090</b>	<b>982,074</b>	<b>4,049,164</b>
Financial liabilities				
Trade and other payables	-	-	862,819	862,819
Borrowings	8.00	1,603	-	1,603
<b>Totals</b>		<b>1,603</b>	<b>862,819</b>	<b>864,422</b>
<b>2010 Consolidated</b>				
Financial assets	-	-	-	-
Cash and cash equivalents	3.75	1,041,945	-	1,041,945
Trade and other receivables	-	-	1,293,929	1,293,929
<b>Totals</b>		<b>1,041,945</b>	<b>1,293,929</b>	<b>2,335,874</b>
Financial liabilities				
Trade and other payables	-	-	990,058	990,058
Borrowings	8.00	19,875	-	19,875
<b>Totals</b>		<b>19,875</b>	<b>990,058</b>	<b>1,009,933</b>

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**(f) Sensitivity analysis**

The Group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

At 31 December 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Change in Profit</b>		
-Increase in interest rate by 20%	23,383	7,497
-Decrease in interest rate by 20%	(23,383)	(7,497)
<b>Change in Equity</b>		
-Increase in interest rate by 20%	23,383	7,497
-Decrease in interest rate by 20%	(23,383)	(7,497)

**(g) Credit Risk Exposure**

The Consolidated Entity's maximum exposures to credit risk, excluding the value of any collateral and other security at balance dates in relation to each class of recognised financial asset, is the carrying value of those assets net of any provisions for doubtful debts as disclosed in the Statement of Financial Position and notes to the financial statements.

The Consolidated Entity minimises credit risk in relation to trade account receivables by undertaking transactions with organisations such as government instruments which have good credit ratings. The Consolidated Entity does not have any material credit risk exposure to any single debtor or Group of debtors, under financial instruments entered into by it. There are no material amounts of collateral held as security as at 31 December 2011.

Credit risk is managed on a Group basis and reviewed regularly by the directors.

**(h) Foreign Currency Risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in US Dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

It is the Group's policy that hedging, as a percentage of net foreign exchange rate exposure, be maintained within FRMC established limits. There are further controls around the cumulative amount of hedging that can be undertaken within any 30-day period to avoid pricing concentration risk.

The functional currency of the Group is Australian Dollars.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations, denominated in currencies other than the functional currency of the operations as at 31 December 2011.

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
and Controlled Entities

<b>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011</b>
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**2011**

<b>Consolidated Entity</b>	<b>USD</b>	<b>AUD</b>	<b>Total AUD</b>
US Dollar	(52,539)	(47,955)	(47,955)
<b>Balance sheet exposure</b>	<b>(52,539)</b>	<b>(47,955)</b>	<b>(47,955)</b>

**2010**

<b>Consolidated Entity</b>	<b>USD</b>	<b>AUD</b>	<b>Total AUD</b>
US Dollar	(29,076)	(31,577)	(31,577)
<b>Balance sheet exposure</b>	<b>(29,076)</b>	<b>(31,577)</b>	<b>(31,577)</b>

**(i) Liquidity Risk**

The Consolidated Entity manages liquidity risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows.

Contracted maturities of payables year ended 31 December:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
<b>Payables</b>	<b>\$</b>	<b>\$</b>
Less than 6 months	864,422	990,058
6 to 12 months	-	18,272
1 to 5 years	-	1,603
<b>Total</b>	<b>864,422</b>	<b>1,009,933</b>

**(j) Net Fair Value of the Financial Assets & Liabilities**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

**Note 23: Economic Dependence**

A significant portion of the goods purchased for the running of the business is obtained from Suntech Power Co. Ltd.

**Note 24: Key Management Personnel Disclosures**

The names of directors and other key management persons in office at any time during or since the end of the financial year are:

<b>Name</b>	<b>Role</b>	<b>Date of Appointment</b>
Stone Wang	Executive Director	Appointed 21 December 2007
Neil Bourne	Non-Executive Director	Appointed 14 February 2007
John Zhang	Executive Director	Appointed 6 April 2009

**(a) Key Management Personnel Compensation**

Details of key management personnel compensation are included in the remuneration report section of the Directors' report.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
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<p><b>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011</b></p>
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**(b) Key Management Personnel Option Details**

Details of key management personnel option details are included in the remuneration report section of the Directors' report.

**(c) Related Party Transactions**

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

***Transactions with Related Parties***

	Consolidated Entity	
	2011	2010
	\$	\$
<b>(i) Directors</b>		
<b>Stone Wang</b>	50,000	-
<b>John Zhang</b>	30,000	-

During the year, cash consideration was paid to Stone Wang & John Zhang for personally guaranteeing the finance facilities entered into.

**(d) Key Management Personal Shareholdings**

	Stone Wang	John Zhang	Neil Bourne
Opening Balance	613,405,340	-	40,000,000
Issued during the year	300,000,000	220,000,000	-
Cancelled during the year	(300,000,000)	(220,000,000)	-
Closing Balance	613,405,340	-	40,000,000

The Company entered into an agreement to issue Stone Wang and John Zhang 300,000,000 and 220,000,000 shares respectively under the Employee Loan Plan in respect of Mr Wang and Mr Zhang guaranteeing the finance facilities. This agreement was subsequently cancelled, instead being replaced by the \$80,000 payment disclosed above.

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
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<p><b>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011</b></p>
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**Note 25: Details of Controlled Entities**

	Country of incorporation	Percentage owned	
		2011	2010
<b>Parent Entity</b>		%	%
AFT Corporation Limited	Australia		
 <b>Subsidiaries</b>			
Microgenix Australasia Pty Limited	Australia	100	100
OCTIP Ltd	United Kingdom	50	50
Artemis Building Systems Pty Ltd	Australia	100	100
AFT Logistics Pty Ltd	Australia	100	100
ABS Green Solutions Pty Ltd	Australia	100	100
Artemis Energy Solutions	Australia	100	-

**Note 26: Subsequent Events after Balance Sheet Date**

There has not been any matter or circumstances occurring subsequent to the end of the financial year, which significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

**Note 27: Segment Information**

*Geographical segments*

The consolidated entity's business segments are located in Australia, with an Australian subsidiary managing the license of Intellectual Property for worldwide use on behalf of the parent company.

*Business segments*

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The Solar Panel Photovoltaic Business and LED Lighting
- Licence Income
- Management services

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

The revenues and profit/loss generated by each of the segment are summarised as follows:

	Solar panel PV and LED business		License		Management Services		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<b>REVENUE</b>								
Revenue from external customers	17,211,028	14,136,352	15,130	500	-	-	17,226,158	14,136,852
Interest and other	192,945	31,023	15,635	39,005	-	-	208,580	70,028
Total Revenue	17,403,973	14,167,375	30,765	39,505	-	-	17,434,738	14,206,880
<b>Reconciled segment revenue to group revenue</b>								
Foreign exchange gain	70,930	3,606	-	-	-	-	70,930	3,606
<b>Total Group Revenue</b>	<b>17,474,903</b>	<b>14,170,981</b>	<b>30,765</b>	<b>39,505</b>	<b>-</b>	<b>-</b>	<b>17,505,668</b>	<b>14,210,486</b>
<b>RESULT</b>								
Segment operating profit/(loss)	2,137,662	2,388,745	(1,166,200)	(1,383,729)	(607)	(692)	970,855	1,004,324
Profit/(loss) before income tax	2,137,662	2,388,745	(1,166,200)	(1,383,729)	(607)	(692)	970,855	1,004,324
Income tax expenses	-	-	-	-	-	-	-	-
Profit/(Loss) after income tax	2,137,662	2,388,745	(1,166,200)	(1,383,729)	(607)	(692)	970,855	1,004,324
<b>ASSETS</b>								
Segment Assets	4,400,738	3,298,969	(1,107,772)	897,429	354	7,310	5,065,385	4,203,708
Total Assets	4,400,738	3,298,969	(1,107,772)	897,429	354	7,310	5,065,385	4,203,708

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Solar panel PV and LED Business		Licenses		Management Services		Total	
<b>LIABILITIES</b>								
Segment								
Liabilities	(1,096,477)	729,966	233,136	291,952	25,892	32,241	934,820	1,054,159
Total Liabilities	(1,096,477)	729,966	233,136	291,529	25,892	32,241	934,820	1,054,159
<b>Additional Assets</b>								
Office								
Equipments	842	211	7,003	6,652	-	-	7,845	6,863
Fittings & Fixtures	2,423	-	-	2,236	-	-	2,423	2,236
Total additional Assets	3,265	211	7,003	8,888	-	-	10,268	9,099

**Note 28: Notes to the Statement of Cash Flows**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

**Consolidated Entity**

2011	2010
\$	\$

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position:

Cash and cash equivalents	3,121,090	1,041,945
	3,121,090	1,041,945

**(b) Reconciliation of net cash provided by operating activities to profit after income tax.**

Operating Profit after tax	970,855	1,004,324
Depreciation and amortisation expense	20,162	18,121
Impairment loss	-	50,000
Foreign Exchange (gain)/ loss	-	10,947
Share-based payment expense	10,161	49,333
Decrease/(Increase) in receivables	311,854	(103,395)
Decrease/(Increase) in inventories	866,218	(1,656,308)
Decrease/(Increase) in prepayments	29,500	(28,536)
(Decrease)/Increase in creditors	(126,238)	351,017
Increase in provisions	25,172	12,243
Net cash provided by/(used in) operating activities	2,107,684	(292,254)

**AFT CORPORATION LIMITED - ABN 33 004 701 062  
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<p><b>NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011</b></p>
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**Note 29: Parent Entity**

(a) Summary of Statement of Comprehensive Income

	2011	2010
	\$	\$
Profit / (loss) for the year	(1,127,200)	(1,383,729)
Other comprehensive income/(loss)	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(1,127,200)</b>	<b>(1,383,729)</b>

(b) Summary of Statement of Financial Position

	2011	2010
	\$	\$
<b>Assets</b>		
Current assets	848,373	812,082
Non-current assets	83,981	85,550
<b>Total assets</b>	<b>932,354</b>	<b>897,632</b>
<b>Liabilities</b>		
Current liabilities	2,224,693	1,076,339
Non-current liabilities	9,569	6,162
<b>Total liabilities</b>	<b>2,234,262</b>	<b>1,082,501</b>
<b>Net assets</b>	<b>(1,301,908)</b>	<b>(184,869)</b>
<b>EQUITY</b>		
Issued capital	103,126,740	103,126,740
Reserves	198,660	188,499
Retained earnings	(104,627,308)	(103,500,108)
<b>TOTAL EQUITY</b>	<b>(1,301,908)</b>	<b>(184,869)</b>

**Note 30: Company Details**

The registered office of the Company is:  
Suite 104, Level 1, 6-12 Atchison Street,  
St Leonards, New South Wales 2065

The principal places of business are:  
Suite 104, Level 1, 6-12 Atchison Street,  
St Leonards, New South Wales 2065



**AFT CORPORATION LIMITED - ABN 33 004 701 062  
and Controlled Entities**

**DIRECTORS' DECLARATION**

The Directors of AFT Corporation Limited declare that:

1. the financial statements and notes, as set out on page 22 to page 48 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the year ended on that date;
  - (c) complies with International Financial Reporting Standards as disclosed in Note 1;
2. the Managing Director has declared that:
  - (a) the financial records of the Company and Consolidated Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Company and a wholly-owned subsidiary, AFT Corporation Listed Public Limited, have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



Stone Wang  
Director  
Sydney, New South Wales  
Date: 29 March 2012

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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## **Independent Auditor's Report To the Members of AFT Corporation Limited**

### **Report on the financial report**

We have audited the accompanying financial report of AFT Corporation Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors responsibility 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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of AFT Corporation Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included on pages 16 to 17 of the directors' report for the year ended 31 December 2011. 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of AFT Corporation Limited for the year ended 31 December 2011, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Adelaide, 29 March 2012

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
and Controlled Entities

**SHAREHOLDER INFORMATION**

The following information is provided in accordance with the Listing Rules of Australian Stock Exchange Limited

**1. Statement of issued capital at 29 February 2012**

Range	Total Holders	Units	% Issued Capital
1 - 1,000	121	78,421	0.001
1,001 - 5,000	225	628,951	0.010
5,001 - 10,000	121	942,149	0.016
10,001 – 100,000	356	14,621,783	0.238
100,000 or more	1,624	6,131,256,708	99.735
<b>Total</b>	<b>2,447</b>	<b>6,148,528,012</b>	<b>100.000</b>

**2. Top 20 Holders of Ordinary Shares as at 29 February 2012**

Rank	Name	Number of Shares	% Issued Capital
1.	MR STONE HONG WANG	528,991,840	8.604
2.	MR GE WANG	395,049,780	6.425
3.	MR KUN SUM SHEA	300,780,440	4.892
4.	MR JIAN XIN CHAN	300,000,000	4.879
5.	MS CHONG KWAN	300,000,000	4.879
6.	MR SHAOHUA LIANG	300,000,000	4.879
7.	OXFORD INTERNATIONAL CAPITAL LIMITED	300,000,000	4.879
8.	MR JING WANG	200,780,440	3.266
9.	MR ZHANG XIAO MING	200,000,000	3.253
10.	TECHSUCCESS LIMITED WOLFELANDS	177,430,681	2.886
11.	PHILLIP SECURITIES (HONG KONG) LTD <CLIENT A/C>	138,476,340	2.252
12.	MR JAMES LEUNG & MS CHRISTINE CHUI WAH CHEUNG	100,000,000	1.626
13.	MS PEIWEN PEGGY LU	84,413,500	1.373
14.	MR ROBERT H GREENFIELD & MRS PATRICIA GREENFIELD <GREENFIELD SUPER FUND A/C>	60,000,000	0.976
15.	BRIGHT LUCKY INVESTMENT	58,333,310	0.949
16.	MRS LYNETTE JOYCE MACKAY & MR JOHN WENSTROM MACKAY <DYNAPLAS P/L S/F A/C>	57,200,001	0.930
17.	MR ANDREW SEDLEY BODY & MRS LUCIE ANN BODY <A & L BODY S/F A/C>	55,200,000	0.898
18.	MR JOHN LONGO	50,597,897	0.823
19.	MR DAVID SEN JEE MS JANET JULIANA LEE	42,121,888	0.685
20.	MR Neil Bourne	40,000,000	0.651
	<b>Total</b>	<b>3,689,376,117</b>	<b>60.004</b>

**AFT CORPORATION LIMITED - ABN 33 004 701 062**  
**and Controlled Entities**

**SHAREHOLDER INFORMATION**

**3. Unmarketable Parcels**

The number of shareholders with unmarketable parcels is 1410.

**4. Substantial Holders**

The names of the substantial shareholders as at 29 February 2012 are

Name	Number of shares
MR STONE HONG WANG	528,991,840
MR GE WANG	395,049,780
MR KUN SUM SHEA	300,780,440
MR JIAN XIN CHAN	300,000,000
MS CHONG KWAN	300,000,000
MR SHAOHUA LIANG	300,000,000
OXFORD INTERNATIONAL CAPITAL LIMITED	300,000,000
MR JING WANG	200,780,440

**5. Voting Rights**

Each Ordinary Share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**6. Quotation**

Shares in AFT Corporation Limited are listed on Australian Stock Exchange Limited.

**7. Audit Committee**

As at the date of the directors' report the Company did not have a separate audit committee, however meetings are held between senior management and auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.