

resources | energy | property | investments

ASF GROUP LIMITED



annual report 2011

Partnering business between Australia and China



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The financial statements are presented in Australian currency.

ASF Group Limited, a company limited by shares, is incorporated and domiciled in Australia.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report on pages 4 to 15, which is not part of the financial statements.

The financial report was authorised for issue on 28 September 2011. The Directors have the power to amend and reissue the financial report.

CORPORATE DIRECTORY

Directors

Ms Min Yang, *Chairman/Director*
Mr Nga Fong Lao, *Vice Chairman/Non-Executive Director*
Mr Quan (David) Fang, *Director*
Mr Wai Sang Ho, *Non-Executive Director*
Mr Geoff Baker, *Non-Executive Director*
Mr Alan Humphris, *Non-Executive Director*
Mr Xin Zhang, *Non-Executive Director*

Company secretary

Mr Chi Yuen (William) Kuan

Registered office and principal place of business

Suite 2, 3B Macquarie Street
Sydney NSW 2000
Telephone: 02 9251 9088
Facsimile: 02 9251 9066
Website: www.asfgroupltd.com

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: 02 9290 9600
Facsimile: 02 9279 0664

Auditors

PricewaterhouseCoopers
201 Sussex Street
GPO Box 2650
Sydney NSW 1171

Solicitors

Norton Rose
Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
363 George Street
Sydney NSW 2000

Bank of China Limited, Sydney Branch
39-41 York Street
Sydney NSW 2000

Stock Exchange listing

ASF Group Limited shares are listed on the Australian Securities Exchange (ASX) and the ASX code is "AFA"

CHAIRMAN'S REPORT

Dear Shareholder,

It is with much pleasure that the Directors present the 2011 Annual Report of ASF Group Limited and its controlled entities ("the Group"). The Group during 2011 has reached a significant milestone in its short history. Our business model developed over the past few years has delivered excellent results this year, helping us to further develop our existing assets and expand our activities.

The Group is growing strongly under this strategy and has entered into significant transactions during the financial year and subsequent to year-end. It represents an important step in the development of the Group embracing a business model of co-investment with partners from China.

Group Activities

In relation to our mineral exploration activities we have been seeking to add further value to the Group's mineral tenements held through ASF Resources Limited ("ASFR"), particularly those in the Canning Basin of Western Australia. A further work program of exploration drilling for coal was initiated during the year and this is currently in progress. The objective of the program is ultimately to establish a large mineable resource of thermal coal.

In Tasmania we have four granted tenements, two of which lie within the Cambrian, Mount Read Volcanics which host several world class polymetallic mines. In April 2010 the Group entered into a co-operative agreement with China Coal Geology Engineering Corporation. China Coal plan to spend A\$1.6M on exploration on two of our Tasmanian tenements, initially with the exploration to be managed by a joint venture company.

The significant increase in Group revenue was assisted in particular by contributions from the following items:

- A shipment of purchased coal to China;
- Gain of \$1.1 million recognized on the incorporation of an associate - China Coal Resources Pty Ltd; and
- Retention of a \$1.5 million non-refundable deposit paid by Yongbin International Holdings Limited ("Yongbin") arising as a result of the termination of a subscription agreement.

While on a consolidated group basis the Group reported a loss, a significant gain was recorded by the parent entity assisted by a transaction with Yongbin referred to below. Under Australian Accounting Standards, this realised gain does not contribute to consolidated profits and is reported as part of Group reserves in the consolidated statements. However, ASF Group Limited, on a parent entity basis, recorded an Operating Profit of \$3,053,187 for the year.

Transaction Activities

In keeping with its strategy as an investment holding company, the Group entered into a number of transactions which are designed to financially strengthen the Group, assist the development of Group assets, and generate profits and other gains.

Subsequent to the termination of the subscription agreement with Yongbin, a share sales agreement was entered into with Yongbin and a gain on disposal of approximately \$1.7 million was realised on a parent entity basis, in relation to the sale by the Company of an 11% shareholding in ASF Resources Limited to Yongbin.

Further under a share sales agreement with Mr Jianzhong Yang, the Company sold a 40% interest in ASF Properties Pty Ltd for \$1 million as consideration. The agreement provided the Company to be granted a call option giving it the right, at its election, to buy back the shares within a period commencing 24 months after the date of completion of the agreement and ending 36 months thereafter.

ASF Balmoral Pty Ltd was acquired as a controlled entity in September 2010 and operates as an ASIC licensed, fund management and advisory business. ASF Balmoral has entered into distribution agreements with significant China funds to represent them in the Australian institutional investor market. It is anticipated that ASF Balmoral will make a positive contribution to the Group's results in the near future.

CHAIRMAN'S REPORT

In June 2011, the Company entered into an Investment and Cooperation Agreement with Kaili Holdings Limited ("Kaili") pursuant to which Kaili will acquire an 80% interest in two tenements (E04/1433 and E04/1436) in Ellendale, Western Australia for \$6 million. A deposit of \$1 million was received from Kaili on signing of the agreement and the balance of \$5 million has subsequently been received after year end.

Proposed Placement of ASFR Shares to Guoli

Subsequent to year end, an Investment Agreement was entered into by ASF Group Limited and ASF Resources Limited with Beijing Guoli Energy Investment Co., Ltd. ("Guoli"). Under the agreement, and subject to certain conditions being satisfied, Guoli is to subscribe for new shares of ASF Resources representing 45% of the enlarged issued share capital of ASF Resources for an investment of A\$16.0 million.

This proposed transaction is an important step for the Company and, when completed, it should enable ASF Resources to further develop its mineral resources interests in WA and we will be seeking the approval for this transaction by ASF Group shareholders at the forthcoming 2011 Annual General Meeting ("AGM").

Demerger of ASFR

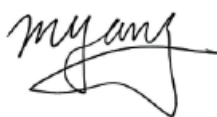
Further in relation to ASFR we intend to seek the approval of shareholders to de-merge 80% of our remaining interest in ASFR to our shareholders with a view to a future listing of ASFR on the ASX. Full details of this proposal will be set out in the Notice of Meeting and accompanying Explanatory Memorandum for the AGM.

Conclusion

For the financial year ended 30 June 2011, the Group's operating revenue for the financial year was \$4,189,684 (FY10: \$341,548). Together with the gains recorded in other transactions, the Group has ended the 2011 year in a significantly stronger financial position compared with the start of the year.

The Directors extend their appreciation to all our staff, partners and team members for their excellent efforts during the year, and value the continued support of our shareholders and investors.

Yours sincerely,



Min Yang
Chairman

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (hereafter referred to the "Group") consisting ASF Group Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Ms Min Yang
Mr Nga Fong Lao
Mr Quan (David) Fang
Mr Wai Sang Ho
Mr Geoff Baker
Mr Alan Humphris
Ms Lily Hongzhen Liu (*resigned 22 February 2011*)
Mr Xin Zhang

Information on Directors

Ms Min Yang

Director and Chairman

Appointed a director on 9 September 2005 and Chairman on 16 February 2006.

Experience: Min Yang has extensive business connections in the Asia Pacific region including greater China. Min Yang has been involved in businesses and transactions across a number of sectors including resources, telecommunications, property, travel and media.

Interest in shares: 41,906,500 ordinary shares in the Company, representing direct interest of 286,500 shares and indirect interest of 41,620,000 shares held by FY Holdings Limited. FY Holdings Limited is jointly controlled by Ms Min Yang and Mr David Fang, who is also a director of the Company.

Mr Nga Fong Lao

Vice Chairman/Non-Executive Director

Appointed as Vice Chairman and Non-Executive director on 30 November 2006.

Experience: Mr Lao is Managing Director of ASF Macau Multinational Holdings Limited in charge of the operations in Multinational Youth Travel Agency Limited. Mr Lao resides in Macau where he has business interests in the property, travel and retail industries and is Chairman of the Macau Travel Agency Association.

Interest in shares: 13,678,000 ordinary shares in the Company.

Mr Quan (David) Fang

Director

Appointed a director on 9 September 2005.

Experience: David Fang was born in Shanghai. He is multilingual, speaking Mandarin, Shanghai dialect, Cantonese and English. He has extensive experience in the property sector covering property sales/marketing, development, acquisition, and syndication.

Interest in shares: 41,630,000 ordinary shares in the Company, representing direct interest of 10,000 shares and indirect interest of 41,620,000 shares held by FY Holdings Limited. FY Holdings Limited is jointly controlled by Mr David Fang and Ms Min Yang, who is also a director of the Company.

DIRECTORS' REPORT (CONTINUED)

Mr Wai Sang Ho

Non-Executive Director

Appointed a Non-Executive director on 30 November 2006.

Experience: Mr Ho is a Hong Kong resident and a large property developer in Southern China. He has substantial property interests in Hong Kong and China.

Interest in shares: 8,583,333 ordinary shares in the Company.

Mr Geoff Baker

Non-Executive Director

Appointed a Non-Executive director on 30 November 2006.

Qualifications: Geoff Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial management), a Law degree and MBA.

Experience: Geoff Baker assists in the international operations of the Group. He joined the Company after practising extensively for 30 years as a lawyer in Australia, Japan, Asia and China.

Interest in shares: 5,234,517 ordinary shares in the Company held by a related entity.

Mr Alan John Humphris

Non-Executive Director

Appointed a Non-Executive director on 5 September 2007.

Qualifications: Alan Humphris holds degrees in science, economics and law and is an FCPA.

Experience: Alan Humphris is an investment banker with more than 30 years experience in Australian and international markets. He has been Managing Director of Balmoral Capital Pty Limited, an investment banking firm specialising in providing M & A and other corporate advisory services which he founded in 1996 and earlier he was an Executive Director of merchant banks, Hambros Australia Limited and JP Morgan Australia Limited.

Interest in shares: 1,700,000 ordinary shares in the Company held directly and by a related party.

Other current directorships: Alan Humphris is a non-executive director of Rey Resources Limited, Zamia Metals Limited and International Base Metals Limited.

Mr Xin Zhang

Non-Executive Director

Appointed a Non-Executive director on 8 February 2010.

Experience: Mr Xin Zhang is the sole shareholder and director of Suntimes International Limited, a substantial shareholder of the Company. Mr. Zhang is also the founder and controlling shareholder of China Glory International Investment Group (**CGIG**) which was established in Beijing 15 years ago. CGIG's investments are primarily engaged in real estate development that has developed billions of dollars of properties in China; CGIG also has investments in resources and trading. Mr Zhang has extensive business and government networks in China.

Interest in shares: 40,000,000 ordinary shares in the Company held by a related entity.

DIRECTORS' REPORT (CONTINUED)

Company Secretary

Mr Chi Yuen (William) Kuan

Appointed as Company Secretary on 26 February 2010.

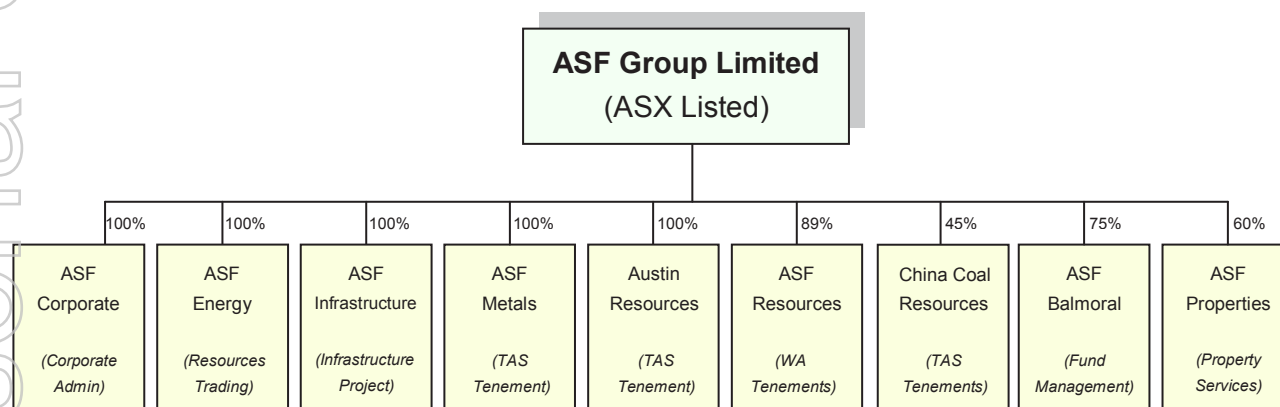
Qualifications: Mr William Kuan is a CPA and a member of The Institute of Chartered Secretaries and Administrators (UK). He holds a Master Degree in International Accounting.

Experience: Mr Kuan has extensive experience in accounting and company secretarial works. He has over 10 years experience working as a company secretary for Hong Kong listed companies.

Apart from Mr Alan Humphris no other Director or key management personnel is a director of another public company.

Corporate structure

ASF Group Limited is incorporated and domiciled in Australia, the shares of which are listed on the Australian Securities Exchange (ASX code: AFA). The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.



Notes:

- (i) ASF Metals was incorporated on 14 July 2010.
- (ii) Austin Resources was incorporated on 3 May 2011.
- (iii) China Coal Resources was incorporated on 18 January 2011.
- (iv) ASF Balmoral was acquired on 22 September 2010.

Principal activities

The principal continuing activities of the Group consisted of:

- Property Marketing and Services
- Mineral and Resources
- Resources Trading
- Travel Services
- Corporate Services
- Funds Management and Advisory Services

There were no changes in the Group's principal activities during the course of the financial year.

DIRECTORS' REPORT (CONTINUED)

Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- (a) Acquisition of 75% of the issued shares in ASF Balmoral Pty Ltd (formerly known as Balmoral Capital Pty Limited) for \$159,851 on 22 September 2010.
- (b) 388,000 shares were issued on 28 September 2010 at \$0.125 per share to Mr Hung Fei Chan as share based payments for services he provided pursuant to the consultancy agreement between Mr Chan and the Company.
- (c) Subscription by China Coal Geology Engineering Corporation of 55% equity interest in China Coal Resources Pty Ltd for \$1.6 million in May 2011.
- (d) Sale of 11% equity interest in ASF Resources Limited to Yongbin International Holdings Limited for \$1.8 million in June 2011.
- (e) Sale of 40% equity interest in ASF Properties Pty Ltd to Mr Jianzhong Yang for \$1 million in June 2011.

Dividends

No dividends have been declared in the 2011 financial year (2010: Nil).

Review of operations, financial position, business strategies and prospects

Financial Position

ASF Group Limited (the "Company") operates as an investment holding company. It facilitates cross border investment activity between Australia and China, co-investing with strategic Chinese 'partners'.

Revenue from these continuing activities of the Company and its controlled entities (together the "Group") for the financial year ended 30 June 2011 increased by 1,126.68% to \$4,189,684 (2010: \$341,548).

The significant increase in revenue was assisted in particular by contributions from the following items:

- A shipment of coal to China;
- Gain of \$1.1 million recognized on the incorporation of an associate - China Coal Resources Pty Ltd; and
- Retention of a \$1.5 million non-refundable deposit paid by Yongbin International Holdings Limited ("Yongbin") arising as a result of the termination of a subscription agreement due to non-payment of the balance of subscription monies for new shares in ASF Resources Limited ("ASF Resources").

On a consolidated Group basis, the net loss attributable to members of the Group after income tax for the financial year was \$1,643,961 (2010: loss of \$2,756,515) representing a decrease of 40.36% compared with the previous year.

While on a consolidated group basis the Group reported a loss, a significant gain was reported on a parent entity basis in a transaction with Yongbin referred to below. Under Australian Accounting Standards, this realised gain does not contribute to consolidated profits and is reported as part of Group reserves in the consolidated financial statements. ASF Group Limited, on a parent entity basis, recorded an Operating Profit of \$3,053,187 for the year.

Under a share sales agreement with Yongbin a gain on disposal of approximately \$1.7 million was realised on a parent entity basis in relation to the sale by the Company of an 11% interest in ASF Resources to Yongbin.

DIRECTORS' REPORT (CONTINUED)

The Company entered into a share sales agreement with Mr Jianzhong Yang for the sale of a 40% interest in ASF Properties Pty Ltd for \$1 million as consideration. Under the terms of the agreement the Company was granted a call option giving it the right at its election to buy back the shares within a period commencing 24 months after the date of completion of the agreement and ending 36 months thereafter. Under Australian Accounting Standards, the call option is accounted for as a non-current liability of the Company and the gain arising from the sale of the shares is not recognised and reported as a profit in the Company's financial statements until such time as the call option expires.

In June 2011, the Company entered into an Investment and Cooperation Agreement with Kaili Holdings Limited ("Kaili") pursuant to which Kaili will acquire an effective 80% interest in two tenements (E04/1433 and E04/1436) in Ellendale, Western Australia for \$6 million. A deposit of \$1 million was received from Kaili on signing of the agreement and the balance of \$5 million was received subsequent to the year-end. At 30 June 2011, the deposit is recorded within trade and other payables.

The Group maintains a strong financial position with approximately \$5.8 million cash at bank as at balance date. Except for trade creditors and the call option mentioned above, the Group does not have outstanding loans or debts.

Business Review and Prospects

The Group has a strong Australia-China focus across a number of sectors, particularly mineral resources, property, travel, resources trading and investment. The Company's strategy is to act as a business 'bridge' between Australia and China and to co-invest with partners in both countries aiming at increasing shareholder value through these activities.

The Company's activities are summarised, below:

Property Marketing and Services

ASF Properties Pty Ltd continues to provide property marketing services. The company's relationships with Australian projects companies and in China have developed further. A 'partnership' with China Glory International Investment Group has resulted in the successful sales of Australian property projects marketed within China.

In turn, due to an increase of Chinese investment into Australia, ASF Properties has taken advantage of this market opportunity offering property services to Chinese developers. ASF Properties sources projects and can now provide market analysis along with development feasibility studies to Chinese investors. Providing such access into the Australian market alongside the existing property marketing services will help significantly grow the business.

Additional team members have joined ASF Properties this year to help with the management of our China team and client focused business. In 2012, ASF Properties will be marketing a new project "Scarborough" within the Breakfast Point development.

Mineral Resources

During the financial year the Company's primary focus was on adding value to the Group's mineral tenements, particularly those in the Canning Basin of Western Australia, which are held by the Group's 89% owned subsidiary, ASF Resources Limited.

DIRECTORS' REPORT (CONTINUED)

ASF Resources Canning Basin Project comprises 8 exploration licences covering a total area of 1,343km². The target commodity of the Canning Basin tenements is sub bituminous thermal coal within the Permian Lightjack Formation.

In early 2011, Geos Mining undertook an appraisal of the Canning Basin tenements and is assisting ASF Resources with various facets of the exploration program, including exploration planning and heritage inspections and clearances. The drilling program currently being undertaken was planned during the financial year completed and includes exploration of the down dip extension in ASF Resources tenements which are adjacent to tenements held by Rey Resources Limited containing Duchess Paradise coal project resources.

Subsequent to the year end, the Company announced that ASF Group Limited and ASF Resources Limited have entered into a conditional investment agreement with Beijing Guoli Energy Investment Co., Ltd. This transaction on completion will substantially enhance the financial capacity of ASF Resources which in turn should enhance its growth prospects.

In Tasmania, the Group has interests in four granted tenements, two of which lie within the Cambrian Mount Read Volcanics which host several world class polymetallic mines. In April 2010 ASF Resources entered into a cooperative agreement with China Coal Geology Engineering Corporation. China Coal intends to spend A\$1.6M on exploration initially with the exploration to be managed by a joint venture company between the parties.

Resources Trading

During the year, ASF Energy successfully completed its first trial shipment of 41,000 tonnes of Australian coal to China Huaneng Group Ltd.

In order to enhance the delivery channel, the Company has entered into alliance with Hong Xiang Shipping Holding (Hong Kong) Co., Ltd, which agreed to provide carriers to the Company at the most favourable price and in accordance with the shipping schedules provided by the Company.

With the supply chain and logistic arrangements in place, the Company is assessing the prospects of further shipments of coal and other mineral resources with a view to the resources trading business making a positive contribution to the Group's results.

Travel Services

The Group's travel services activity is operating through a 40% owned associate, Macau Multinational Youth Travel Agency Limited ("MYTA").

MYTA has been reclassified as an available-for-sale financial asset with effect from 1 July 2010 on the basis that the Company has lost significant influence over its investment in that company.

Funds Management and Advisory Service

ASF Balmoral Limited, the Group's 75% owned entity which holds an Australian Financial Services Licence, is developing a business involving the distribution of selected Funds Management products in the Australian market and also the provision of advisory services in Australia to corporations from China.

In its first year as a controlled entity of the Group, ASF Balmoral was appointed to represent Hong Kong based Fund Manager, Marco Polo Pure Asset Management, in the Australian institutional and sophisticated investor markets. The Marco Polo Pure China Fund is an award winning Fund which has the investment objective of long term capital growth through investing in the China A share market. Investors and consultants have responded positively to our capital raising initiatives, notwithstanding the volatile investment environment which prevailed during the year.

ASF Balmoral was also appointed to represent Evolved Alpha LLC, a US based Fund Manager, in the Australian investment market. The Fund's principals have a track record of managing multi strategy funds.

DIRECTORS' REPORT (CONTINUED)

The company is currently negotiating the appointment of certain other Funds which complement ASF Balmoral's strategy and meet demand in the market.

Matters subsequent to the end of the financial year

In June 2011, the Company entered into an Investment and Cooperation Agreement with Kaili Holdings Limited ("Kaili") pursuant to which Kaili will acquire an 80% interest in two tenements (E04/1433 and E04/1436) in Ellendale, Western Australia for \$6 million. A deposit of \$1 million was received from Kaili on signing of the agreement and the balance of \$5 million was received subsequent to the year-end.

In September 2011, the Company and ASF Resources Limited ("ASFR"), an 89% owned subsidiary of the Company, entered into a conditional Investment Agreement with Beijing Guoli Energy Investment Co., Ltd ("Guoli") pursuant to which Guoli is to subscribe for 81,818,182 new shares of ASFR representing 45% of the enlarged issued share capital of ASFR for a subscription amount of A\$16 million. A deposit of US\$1 million had been paid by Guoli, pursuant to the Investment Agreement.

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

Environmental regulations

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

Insurance of officers

During the financial year, ASF Group Limited paid a premium of \$23,012 to insure the directors, company secretary and all executive officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework;

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Establish appropriate performance hurdles in relation to variable executive remuneration.

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

DIRECTORS' REPORT (CONTINUED)

Remuneration structure

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors, senior executives and consultants.

The Board sets aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

Directors receive fees for providing consulting services to the consolidated entity.

Executive directors and other executives may participate in the 'ASF Share Plan'. Shares issued under this plan are not issued based on performance criteria, but are issued to all directors and executives of the Company to increase goal congruence among directors, executives and shareholders.

No shares were issued under the 'ASF Share Plan' during the year.

Details of remuneration

The key management personnel of the Group are the directors of ASF Group Limited, details of which are disclosed on pages 4-5.

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of the Group are set out on the following table.

Remuneration - Key management personnel of the Group

2011	Base remuneration \$	Consulting fees \$	Super-annuation \$	Share based payments \$	Total \$
Directors					
Min Yang ^(a)	-	117,600	-	-	117,600
David Fang ^(a)	-	58,800	-	-	58,800
Geoff Baker ^(b)	-	114,000	-	-	114,000
Alan Humphris ^(c)	36,000	72,000	3,240	-	111,240
Total directors	36,000	362,400	3,240	-	401,640
Other key management personnel					
Chi Yuen (William) Kuan, <i>Company Secretary</i>	85,368	-	7,575	-	92,943
Justin Clarke, <i>Development and Operations Director, ASF Corporate</i> ^(d)	-	145,764	-	-	145,764
Sally Humphris, <i>Investment Director, ASF Balmoral</i> ^(e)	151,514	-	13,500	-	165,014
Ning Shen, <i>General Manager - China Business Development, ASF Resources</i>	80,000	-	7,200	-	87,200
Wei Jin, <i>Director, ASF Resources</i>	60,000	-	5,400	-	65,400
Mark Derriman, <i>General Manager, ASF Resources</i> (resigned 20/12/2010)	72,560	-	-	-	72,560
Total other key management	449,442	145,764	33,675	-	628,881

(a) The consulting fees were paid to consulting company, Sincere Investments Group Ltd. Ms Min Yang and Mr David Fang are engaged by Sincere Investments Group Ltd to provide consulting services to ASF Group Limited. These directors have no beneficial interest in Sincere Investments Group Ltd. Payments made to Sincere Investments Group Ltd are considered indirect payments to Ms Min Yang and Mr David Fang.

(b) The consulting fees were paid to Gold Star Industry Ltd in which Mr Geoff Baker has beneficial interest.

(c) Of the \$72,000 consulting fees, \$12,000 were paid to Balmoral Capital Pty Ltd (now known as ASF Balmoral Pty Limited) which was previously beneficially owned by Mr Alan Humphris and \$60,000 were paid to Balmoral Development Corporation Pty Ltd which is controlled by the spouse of Mr Alan Humphris.

(d) The consulting fees were paid to J Clarke Holdings Pty Ltd in which Mr Justin Clarke has beneficial interest.

(e) Ms Sally Humphris is a family member of Mr Alan Humphris.

DIRECTORS' REPORT (CONTINUED)

2010	Base remuneration \$	Consulting fees \$	Super-annuation \$	Share based payments \$	Total \$
Directors					
Min Yang ^(a)	-	117,600	-	-	117,600
David Fang ^(a)	-	58,800	-	-	58,800
Geoff Baker ^(b)	-	114,000	-	-	114,000
Alan Humphris ^(c)	36,000	72,000	3,240	95,000	206,240
Qinglin Zhang (deceased 19/2/2010)	40,000	-	-	-	40,000
Total directors	76,000	362,400	3,240	95,000	536,640
Other key management personnel					
Barry F. Neal, CFO/Company Secretary (resigned 26/2/2010)	-	40,034	-	-	40,034
Chi Yuen (William) Kuan, Company Secretary	31,326	-	2,812	-	34,138
Sally Humphris, Investment Director, ASF Balmoral ^(d)	12,500	-	1,125	-	13,625
Ning Shen, General Manager - China Business Development, ASF Resources	46,667	-	4,200	-	50,867
Wei Jin, Director, ASF Resources	60,000	-	5,400	-	65,400
Mark Derriman, General Manager, ASF Resources (resigned 20/12/2010)	156,430	-	-	-	156,430
Total other key management	306,923	40,034	13,537	-	360,494

(a) The consulting fees were paid to consulting company, Sincere Investments Group Ltd. Ms Min Yang and Mr David Fang are engaged by Sincere Investments Group Ltd to provide consulting services to ASF Group Limited. These directors have no beneficial interest in Sincere Investments Group Ltd. Payments made to Sincere Investments Group Ltd are considered indirect payments to Ms Min Yang and Mr David Fang.

(b) The consulting fees were paid to Gold Star Industry Ltd in which Mr Geoff Baker has beneficial interest.

(c) The consulting fees and share based payment were paid to Balmoral Capital Pty Ltd (now known as ASF Balmoral Pty Limited) which was previously beneficially owned by Mr Alan Humphris.

(d) Ms Sally Humphris is a family member of Mr Alan Humphris.

Remuneration - Key management personnel of the Company

There was no remuneration paid out of ASF Group Limited to the key management personnel for the years ended 30 June 2010 and 30 June 2011.

Service agreements

On appointment to the Board, directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms including compensation, relevant to the office of director.

Remuneration and other terms of employment for other key management personnel are also formalised in service agreements.

Details of these agreements are summarised below:

Min Yang, Chairman

- Term - 3 years commencing 22 October 2008 with service company Sincere Investments Group Ltd.
- Fee - \$9,800 per month plus the issue of a 3.8 million sign-on share issue at the commencement of the contract.
- Termination - the agreement may be terminated at any time by either party giving to the other party not less than one month prior written notice.

David Fang, Director

- Term - monthly with service company Sincere Investments Group Ltd.
- Fee - \$4,900 per month plus the issue of a 1 million sign-on share issue at the commencement of the contract.
- Termination - the agreement may be terminated at any time by either party giving to the other party not less than one month prior written notice.

DIRECTORS' REPORT (CONTINUED)

Geoff Baker, Non-Executive Director

- Term - monthly with the director's related party entity Gold Star Industry Ltd.
- Fee - \$9,500 per month.
- Termination - may be terminated at any time by either party giving to the other party not less than one month prior written notice.

Alan Humphris, Non-Executive Director

- Term - Signed 1 June 2006 with Balmoral Capital Pty Ltd (now known as ASF Balmoral Pty Limited and 75% owned by the Company) which was previously beneficially owned by Mr Alan Humphris. The Agreement was subsequently assigned to Balmoral Development Corporation Pty Limited on 22 September 2010.
- Fee - \$6,000 per month.
- Termination - may be terminated at any time by either party giving to the other party not less than three months prior written notice.

Chi Yuen (William) Kuan, Company Secretary

- Term - commencing 1 February 2010.
- Salary - \$7,083 per month plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than 30 days prior written notice.

Justin Clarke, Development and Operations Director, ASF Corporate

- Term - commencing 1 July 2010.
- Fee - \$12,500 per month.
- Termination - may be terminated at any time by either party giving to the other party not less than one month prior written notice.

Sally Humphris, Investment Director, ASF Balmoral

- Term - commencing 1 June 2010.
- Fee - \$12,500 per month plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than two months prior written notice.

Ning Shen, General Manager-China Business Development, ASF Resources

- Term - not less than 3 years commencing 1 December 2009.
- Salary - \$6,667 per month plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than four weeks prior written notice.

Wei Jin, Director, ASF Resources

- Term - not less than 3 years commencing 1 January 2009.
- Salary - \$5,000 per month plus superannuation.
- Termination - may be terminated at any time by either party giving to the other party not less than four weeks prior written notice.

Group performance

The following table shows the performance of the Consolidated Group over the past six financial years:-

FY	Sales Revenue	NPAT/(NLAT)	Basic EPS	Net Equity	NTA per share	Dividends	Average Share Price
	\$	\$	Cents	\$	\$	\$	\$
2006	3,465,995	2,643,947	0.005	3,995,925	0.01	-	-
2007	20,117,000	(1,541,413)	(0.11)	4,946,728	0.01	-	-
2008	19,941,109	(4,516,427)	(2.63)	4,388,212	0.01	-	0.14
2009	113,834	(5,328,110)	(2.61)	2,704,663	0.01	-	0.09
2010	341,548	(2,756,515)	(1.02)	8,095,134	0.03	-	0.16
2011	4,189,684	(1,747,372)	(0.53)	8,667,822	0.028	-	0.115

DIRECTORS' REPORT (CONTINUED)

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

Sales revenue were significantly higher in years 2007 and 2008 due to the acquisition of the travel business in China on 1 July 2006. The travel business was deconsolidated and equity-accounted from 1 July 2008 up to 30 June 2010. On 1 July 2010, the travel business was reclassified as an available-for-sale financial asset.

Shares under options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' meetings

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year 5 board meetings were held.

	No. of Board Meetings held whilst in Office	No. of Board Meetings Attended	No. of Audit Committee Meetings held	No. of Audit Committee Meetings Attended
Min Yang	5	5	-	-
David Fang	5	5	-	-
Nga Fong Lao	5	3	-	-
Geoff Baker	5	5	2	2
Alan Humphris	5	4	2	2
Wai Sang Ho	5	4	-	-
Lily Hongzhen Liu (<i>resigned 22/2/2011</i>)	3	2	-	-
Xin Zhang	5	1	-	-

Proceedings on behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out below.

DIRECTORS' REPORT (CONTINUED)

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2011 \$	2010 \$
Non-audit services		
PricewaterhouseCoopers		
- Taxation services	20,000	12,000
Total remuneration for non-audit services	<u>20,000</u>	<u>12,000</u>

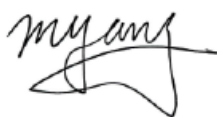
Auditor Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Auditor

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Min Yang
Chairman

Sydney
29 September 2011

CORPORATE GOVERNANCE STATEMENT

ASF Group Limited is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (Second edition August 2007) for the entire financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

		Complied	Note
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	1
1.2	Disclose the process of evaluating the performance of senior executives.	Yes	2
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Yes	1-2
2.1	A majority of the Board should be independent directors.	No	3
2.2	The chair should be an independent director.	No	4
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	No	5
2.4	The Board should establish a nomination committee.	No	6
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual directors.	Yes	2
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	Yes	2-6
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> The practice necessary to maintain confidence in the company's integrity; the practices necessary to take into account the company's legal obligations and the reasonable expectation of their stockholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes Yes Yes Yes	7
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	8
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	Yes	7-8
4.1	The Board should establish an audit committee.	Yes	9
4.2	Structure the audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair who is not chair of the Board; has at least three members. 	Yes No No No	9
4.3	The audit committee should have a formal charter.	Yes	9
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	9
5.1	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.	Yes	10
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	10
6.1	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.	Yes	11
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	11
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	12

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

7.2	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.	Yes	12
7.3	Disclose whether it has received assurance from the Managing Director and the Chief Financial Officer 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 aspects in relation to financial reporting risks.	Yes	13
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	12-13
8.1	Establish a remuneration committee.	No	14
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	15
8.3	Provide the information indicated in Guide to reporting on Principle 8.	Yes	14-15

Notes

1. The Directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

The key responsibilities of the Board are:-

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

A copy of the ASF Board Charter can be viewed on the Company's website www.asfgroupltd.com.

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations.

Senior executives have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities.

2. While no performance evaluation of the Board or management was carried out for the financial year ended 30 June 2011 this is continually monitored by the Chairman and the Board. The Chairman also speaks to each Director individually regarding their role as a Director.
3. The Board assesses Directors against the criteria established by the ASX Corporate Governance Council to ensure they are in a position to exercise independent judgement. Directors are considered independent if they are independent of Management and free from any relationship that could materially interfere with, or could reasonably be perceived to interfere with independent judgement.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

At the reporting date of the 2011 Annual Report, one Board member – Mr Wai Sang Ho is independent Director. While there is not a majority of independent Directors on the Board, it is believed that the people on the Board can and do make independent judgements in the best interests of the Company and its shareholders at all times.

4. The Chairperson is not an independent director. The Board believes, that even though the Chairperson is not an independent director she is able to make quality and independent judgements on all relevant issues falling within the scope of the role of a Chairman.
5. The roles of Chairperson and Chief Executive Officer are currently exercised by the same individual which is believed to be appropriate at this stage in the Company's development.
6. The Company does not have a nomination committee as the size of the Company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.

The Board annually reviews the effectiveness of the functioning of the Board, individual directors, and senior executives.

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

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

8. The Company has adopted a Securities Trading Policy which provides guidance for the Directors and employees on trading of the Company's securities. The Policy prohibits directors and employees from trading of the Company's securities in certain restricted periods and in possession of price sensitive information until such information has been released to the market.

A copy of the Securities Trading Policy can be viewed on the Company's website www.asfgroupltd.com.

9. The Company has an established Audit Committee with Mr Alan Humphris, a non-executive Director as Chairman, and one other member, Mr Geoff Baker who is also a non-executive director. Mr Alan Humphris has a close family member employed by the Group as a key management personnel during the year. A majority shareholding in the Financial Services company owned by Mr Alan Humphris was acquired by the Company during the year. Due to the above transactions, Mr Alan Humphris is not categorised as an independent non-executive director. The Board believes, that even though Mr Alan Humphris is not an independent director, he is able to make quality and independent judgements on all relevant issues falling within the scope of the role of a non-executive director and Audit Committee Chairman.

A formal charter of the audit and risk management committee has been approved by the Board.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

The policy on communication with shareholders is set out in the Company's 'Policy on stakeholder communication and continuous disclosure'.

12. The Board has established policies on risk oversight and management. To carry out this function the Board:

- oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity;
- reviews the financial reporting process of the Company;
- discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
- reviews and assesses the independence of the external auditor.
- reviews with the external auditor any audit problems and the Company's critical accounting policies and practices.

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

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Practices have been established to ensure:

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

13. The Board has received from management an assurance that internal risk management and the internal control system is effective; and assurance from the Managing Director 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 which is operating effectively in respect to financial reporting risks.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

15. The remuneration policy, which sets the terms and conditions for the Chairman and other senior executives has been approved by the Board.

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

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

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

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

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



Auditor's Independence Declaration

As lead auditor for the audit of ASF Group Limited for the year ended 30 June 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.

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

A handwritten signature in dark ink, appearing to read 'Reilly'.

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
29 September 2011

PricewaterhouseCoopers, ABN 52 780 433 757
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Independent auditor's report to the members of ASF Group Limited

Report on the financial report

We have audited the accompanying financial report of ASF Group Limited (the company), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the ASF Group (the consolidated entity). The consolidated entity comprises 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. These Auditing Standards require that we 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 entity'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 entity'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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 ASF Group 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 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 13 of the directors' report for the year ended 30 June 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

In our opinion, the remuneration report of ASF Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Reilly' in a cursive script.

Jane Reilly
Partner

Sydney
29 September 2011

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 25 to 57 are in accordance with the Corporations Act 2001, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chairman and finance manager who performs a chief financial officer function required by section 295A of the *Corporations Act 2001*.

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



Min Yang
Chairman

Sydney
29 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	30 June 2011 \$	30 June 2010 \$
Revenue from continuing operations	5	4,189,684	341,548
Other income	6	3,778	-
Cost of sales		(1,996,811)	(81,480)
Marketing expenses		(188,607)	(437,744)
Consultants expenses		(946,721)	(879,896)
Occupancy expenses		(408,532)	(522,162)
Professional fees		(235,749)	(197,217)
Administration expenses		(331,047)	(259,351)
Employment expenses		(676,567)	(288,389)
Corporate expenses		(79,571)	(128,785)
Depreciation expense	7	(28,845)	(24,058)
Legal expenses		(55,913)	(19,814)
Finance costs	7	(9,798)	(61,729)
Share-based payments	7	(48,500)	(95,000)
Provision for impairment of debtors		-	(550)
Impairment of investment in associated entity		-	(193,021)
Loss on loss of significant influence over associate	7	(405,534)	-
Other expenses		(492,530)	(33,238)
(Loss)/profit on liquidation of subsidiaries	31	(5,812)	43,657
Share of net (loss)/profit of associate	15	(30,297)	80,714
Loss before income tax		(1,747,372)	(2,756,515)
Income tax expense		-	-
Loss for the year		(1,747,372)	(2,756,515)
Loss attributable to:			
Members of the parent entity		(1,643,961)	(2,756,515)
Non-controlling interest		(103,411)	-
		(1,747,372)	(2,756,515)
Other Comprehensive Income/(Expense)			
Recognition of foreign currency translation reserves of associate in profit or loss		405,534	-
Exchange differences on translation of foreign operations		60,006	16,203
Share of other comprehensive loss of associate		-	(59,177)
Total Comprehensive Loss for the year		(1,281,832)	(2,799,489)
Total Comprehensive Loss for the year is attributable to:			
Members of the parent entity		(1,178,421)	(2,799,489)
Non-controlling interest		(103,411)	-
		(1,281,832)	(2,799,489)
Earnings per share for loss attribute to the ordinary equity holders of the Company:			
Basic (cents per share)	36	(0.53)	(1.02)
Diluted (cents per share)	36	(0.53)	(1.02)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	30 June 2011 \$	30 June 2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	5,888,769	4,324,705
Trade and other receivables	10	447,193	72,846
Inventories	11	-	1,009,978
Other current assets	12	67,914	1,250
Total current assets		6,403,876	5,408,779
Non-current assets			
Other receivables	13	228,668	247,473
Plant and equipment	14	115,703	62,187
Investments accounted for using the equity method	15	1,278,794	634,168
Available-for-sale financial asset	16	634,168	-
Mining tenements and exploration	17	2,848,516	2,411,461
Intangible assets	18	141,792	-
Total non-current assets		5,247,641	3,355,289
Total assets		11,651,517	8,764,068
LIABILITIES			
Current liabilities			
Trade and other payables	19	1,883,046	655,569
Deferred revenue		64,989	-
Provisions	20	35,660	13,365
Total current liabilities		1,983,695	668,934
Non-current liabilities			
Borrowings	21	1,000,000	-
Total non-current liabilities		1,000,000	-
Total liabilities		2,983,695	668,934
Net assets		8,667,822	8,095,134
EQUITY			
Contributed equity	22	54,258,787	54,258,787
Reserves	23	4,152,370	1,631,889
Accumulated losses	23	(49,439,503)	(47,795,542)
Capital and reserves attributable to the owners of ASF Group Limited		8,971,654	8,095,134
Non-controlling interest	24	(303,832)	-
Total equity		8,667,822	8,095,134

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Note	Contributed equity	Reserves	Accumulated losses	Total	Non- controlling interest	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2009		46,163,827	1,579,863	(45,039,027)	2,704,663	-	2,704,663
(Loss) for the year		-	-	(2,756,515)	(2,756,515)	-	(2,756,515)
Other comprehensive income		-	(42,974)	-	(42,974)	-	(42,974)
Total comprehensive loss for the year		-	(42,974)	(2,756,515)	(2,799,489)	-	(2,799,489)
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		8,094,960	-	-	8,094,960	-	8,094,960
Share based payments		-	95,000	-	95,000	-	95,000
		8,094,960	95,000	-	8,189,960	-	8,189,960
Balance at 30 June 2010		54,258,787	1,631,889	(47,795,542)	8,095,134	-	8,095,134
Balance at 1 July 2010		54,258,787	1,631,889	(47,795,542)	8,095,134	-	8,095,134
(Loss) for the year		-	-	(1,643,961)	(1,643,961)	(103,411)	(1,747,372)
Other comprehensive income		-	465,540	-	465,540	-	465,540
Total comprehensive loss for the year		-	465,540	(1,643,961)	(1,178,421)	(103,411)	(1,281,832)
Transaction with owners in their capacity as owners:							
Share-based payments	37	-	48,500	-	48,500	-	48,500
Transactions with non-controlling interests	23	-	2,006,441	-	2,006,441	-	2,006,441
Non-controlling interest on acquisition of subsidiary	24	-	-	-	-	(200,421)	(200,421)
		-	2,054,941	-	2,054,941	(200,421)	1,854,520
Balance at 30 June 2011		54,258,787	4,152,370	(49,439,503)	8,971,654	(303,832)	8,667,822

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Note	30 June 2011 \$	30 June 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		1,166,005	387,265
Other income received		-	73
Payments to suppliers and employees (inclusive of goods and services tax)		(3,982,955)	(3,592,671)
Interest received		66,957	80,703
Interest paid		-	(52,284)
Income tax paid		(4,933)	-
Net cash (outflow) from operating activities	34	(2,754,926)	(3,176,914)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(641,776)	(1,624,429)
Purchase of plant and equipment		(78,583)	(11,807)
Investment in associates		(82)	-
Payments for acquisition of subsidiary, net of cash acquired		(159,850)	-
Payments on liquidation of subsidiaries		(5,812)	-
Net cash (outflow) from investing activities		(886,103)	(1,636,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	8,094,959
Proceeds received in advance for issue of shares of a subsidiary		1,000,000	-
Transactions with non-controlling interests		1,800,000	-
Borrowings		1,000,000	-
Proceeds from forfeiture of non-refundable deposit		1,500,000	-
Net cash inflow from financing activities		5,300,000	8,094,959
Net increase in cash and cash equivalents		1,658,971	3,281,809
Cash and cash equivalents at the beginning of the financial year		4,324,705	1,026,693
Effect of exchange rate changes on cash and cash equivalents		(94,907)	16,203
Cash and cash equivalents at the end of the year		5,888,769	4,324,705

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

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of ASF Group Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

(i) Compliance with IFRS

The consolidated financial statements of the ASF Group Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* – adopted early by ASF Group Limited in the 2010 financial report
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19, and*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASF Group Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of consolidation (continued)

(ii) Associates (continued)

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Changes in ownership interests

The Group treats transactions with non controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of ASF Group Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board which is the chief operating decision maker of the Group. The board is responsible for allocating resources and assessing performance of the operating segments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of coal fine

Revenue from the sale of coal fine is recognised when the coal is shipped and the vessel is departed from the port. Coal sale is usually by Letter of Credit.

(ii) Commission revenue

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

(iii) Consulting

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

(iv) Marketing service

Sales of marketing services are recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

(v) Interest income

Interest revenue is recognised using the effective interest method.

(vi) Dividend

Dividend revenue is recognised when the right to receive a dividend has been established.

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

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Exploration and development expenditure

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

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

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

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 28(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Business combinations (continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(m) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and other receivables (note 13) in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments and other financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprising principally a 40% owned associate in which the Company does not have significant influence over it. They are included in non-current assets unless the management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2(d).

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 1(l).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investments and other financial assets (continued)

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(o) Plant and equipment

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

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is provided on plant and equipment and leasehold improvements. Depreciation is calculated on a diminishing value basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

Parent and Australian registered subsidiaries	
Furniture, fittings and equipment	25-37.5%
Leasehold improvements	37.5%
Motor vehicles	20.0%
Overseas subsidiaries	
Furniture, fixtures and equipment	37.5%
Leasehold improvements	37.5%
Computer software	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) Intangible assets

Goodwill is measured as described in note 1(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

(iii) Retirement benefit obligations

Contributions to superannuation funds by the consolidated entity are expensed in the year they are paid or become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the ASF Group employee share scheme. Information relating to these schemes is set out in note 37.

Under the employee share scheme, shares issued by ASF Group Limited to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year (note 36).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. ASF Group Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(iv) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New accounting standards and interpretations (continued)

- (v) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such investment properties.

(y) Parent entity financial information

The financial information for the parent entity, ASF Group Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of ASF Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, ASF Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, ASF Group Limited also recognises the current tax liabilities (or assets) and any deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the board of directors. The Board and management provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

The Group holds the following financial instruments:

	2011 \$	2010 \$
Financial assets		
Cash and cash equivalents	5,888,769	4,324,705
Trade and other receivables	447,193	72,846
Available-for-sale financial assets	634,168	-
	6,970,130	4,397,551
Financial liabilities		
Trade and other payables	1,883,046	655,569
Borrowings	1,000,000	-
	2,883,046	655,569

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CNY (Chinese currency) and HK\$ (Hong Kong currency). However the exposure is limited due to the size of transactions in these foreign currencies.

The foreign exchange exposure is not hedged.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2011				30 June 2010			
	HK\$ in A\$		CNY in A\$		HK\$ in A\$		CNY in A\$	
	HK\$	A\$	CNY	A\$	HK\$	A\$	CNY	A\$
Cash	285,926	34,673	-	-	780	117	39,901	6,841
Trade and other receivables	47,836	5,801	-	-	11,443	1,716	-	-
Available-for-sale financial assets	206,961	25,097	-	-	-	-	-	-
Trade and other payables	(720,834)	(87,412)	-	-	(49,000)	(7,348)	-	-
Total net exposure	(180,111)	(21,841)	-	-	(36,777)	(5,515)	39,901	6,841

Sensitivity

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the HK\$ and CNY with all other variables held constant, the Group's post-tax loss for the year would have been \$2,427 lower/\$1,986 higher (2010 - \$147 lower/\$121 higher), mainly as a result of foreign exchange gains/losses on translation of HK\$ and CNY denominated financial instruments as detailed in the above table. The group's exposure to other foreign exchange movements is not material.

(ii) Price risk

The Group is not exposed to equity securities price risk as no investments are held by the Group and classified on the balance sheet at fair value through profit or loss. Available-for-sale financial asset is carried at cost and therefore not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group is not exposed to interest rate risk as the borrowing held by the Group during the year is free of interest.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

For some trade receivables the Group may also obtain security in the form of letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2011 \$	2010 \$
Cash at bank and short-term bank deposits		
AAA	5,888,769	4,324,705

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held deposits at call of \$5,888,769 (2010 - \$4,324,705) that are expected to readily generate cash inflows for managing liquidity risk.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements

The Group has no financing arrangements in place at the 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	Less than 1 year	Between 2-5 years	Total contractual cashflows	Carrying Amount
	\$	\$	\$	\$
At 30 June 2011				
Non-derivatives				
Trade payables	1,883,046	-	1,883,046	1,883,046
Borrowings	-	1,000,000	1,000,000	1,000,000
	1,883,046	1,000,000	2,883,046	2,883,046
At 30 June 2010				
Non-derivatives				
Trade payables	655,569	-	655,569	655,569
	655,569	-	655,569	655,569

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amount of available-for-sale financial asset is carried at cost. The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. These calculations require the use of assumptions.

(ii) Income tax

The Company is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the normal course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The Company's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences are recognised based on management's estimates of future income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(iii) Capitalisation of mining tenements and exploration

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises direct costs plus overhead expenditure incurred which can be directly attributable to the development process.

All expenditure incurred prior to the commencement of commercial levels of production from each area of interest is carried forward to the extent which recoupment out of revenue to be derived from the sale of production from the area of interest, or by its sale, is reasonably assured. Once commercial levels of production commence, the development expenditure in respect of that area of interest will be amortised on a straight line basis, based upon an estimate of the life of the area of interest.

Expenditure on existing mining tenements have been fully capitalised as per note 17.

4 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports received by the Board that are used to make strategic decision. The Board considers the business from both a business and geographic perspective.

(b) Segment information – operating segments

The segment information provided to the Board for the year ended 30 June 2011 is as follows:

30 June 2011	Property marketing and services	Mineral and resources	Resources trading	Travel services	Corporate services	Fund management and advisory services	Eliminations	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue								
Sales	481,749	-	1,007,835	-	1,618,250	296,066	(1,886,066)	1,517,834
Other income	-	-	-	-	3,778	-	-	3,778
Other revenue	55	3,542	2,476	-	4,361,148	1,737	(1,697,108)	2,671,850
Total segment revenue	481,804	3,542	1,010,311	-	5,983,176	297,803	(3,583,174)	4,193,462
Loss on liquidation of subsidiaries	-	-	-	-	-	(5,812)	-	(5,812)
Share of loss from associate	-	(30,297)	-	-	-	-	-	(30,297)
Segment result	10,549	(762,203)	(2,064,899)	-	3,530,682	(473,175)	(1,988,326)	(1,747,372)
Segment assets	458,643	3,623,067	740,114	-	14,217,117	214,755	(7,602,179)	11,651,517
Total assets include: Investments in associates	-	-	-	-	1,281,690	-	(2,896)	1,278,794
Segment liabilities	1,245,514	5,649,001	3,719,642	-	11,941,851	925,499	(20,497,812)	2,983,695
30 June 2010								
Segment revenue								
Sales	248,808	-	-	-	1,411,364	-	(1,400,000)	260,172
Other revenue	-	787	-	-	76,342	4,247	-	81,376
Total segment revenue	248,808	787	-	-	1,487,706	4,247	(1,400,000)	341,548
Profit on liquidation of subsidiaries	43,657	-	-	-	-	-	-	43,657
Share of profit from associate	-	-	-	80,714	-	-	-	80,714
Segment result	(169,310)	(1,209,183)	(914,630)	-	(8,562,474)	(61,835)	8,160,917	(2,756,515)
Segment assets	141,503	2,804,538	1,592,610	-	7,303,060	404,977	(3,482,620)	8,764,068
Total assets include: Investments in associates	-	-	-	-	634,168	-	-	634,168
Segment liabilities	1,938,913	5,276,324	2,507,239	-	8,735,662	744,528	(18,533,732)	668,934

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 SEGMENT INFORMATION (continued)

(c) Segment information – geographical segments

	Segment revenues from sales to external customers		Segment assets	
	2011 \$	2010 \$	2011 \$	2010 \$
Australia	4,193,007	341,548	19,167,573	11,841,811
China	455	-	86,123	404,877
Eliminations	-	-	(7,602,179)	(3,482,620)
TOTAL	4,193,462	341,548	11,651,517	8,764,068

(d) Other segment information

Revenue for property marketing and services represents commission income received from the sale of properties owned by customers in Australia.

Revenue for corporate services represents corporate fees charged to other subsidiaries. The corporate fees were based on the estimation of time spent and works undertaken by the management of the Group.

The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement. Revenues from external customers are derived from the sale of coal fine, from the provision of corporate advisory services and from the marketing of properties.

5 REVENUE

	2011 \$	2010 \$
(a) Revenue from continuing operations		
- Resources trading	1,007,835	-
- Commission revenue	481,749	116,400
- Marketing service	-	143,772
- Corporate advisory service	28,250	-
	1,517,834	260,172
(b) Other revenue		
- Forfeiture of deposit ⁽ⁱ⁾	1,500,000	-
- Gain on incorporation of an associate ⁽ⁱⁱ⁾	1,103,934	-
- Interest received	66,957	80,703
- Other revenue	959	673
	2,671,850	81,376
	4,189,684	341,548

(i) This represents a non-refundable deposit paid by Yongbin International Holdings Limited ("Yongbin") on its proposed subscription of 20% interest in ASF Resources Limited. Yongbin did not pay the balance of the subscription money by 21 April 2011 and the deposit was forfeited in accordance with the agreement.

(ii) This represents gain on incorporation of an associate, China Coal Resources Pty Ltd, which holds two tenements in Tasmania – EL15/2007 and EL55/2007. ASF Group holds a 45% equity interest in China Coal Resources Pty Ltd.

6 OTHER INCOME

	2011 \$	2010 \$
Gain on disposal of asset	3,778	-
	3,778	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 EXPENSES

	2011 \$	2010 \$
Loss before income tax includes the following specific expenses:		
Commission expenses	321,612	81,480
Finance costs	9,798	61,729
Rental expenses on operating leases		
- minimum lease payments	178,451	175,660
Impairment losses		
- Investment in associate	-	193,021
Bad debts	-	550
Depreciation expense	28,845	24,058
Share-based payments expensed	48,500	95,000
Loss on loss of significant influence over associate	405,534	-
Net foreign exchange losses included in other expenses for the year	154,913	-

8 INCOME TAX

(a) Tax losses

As at 30 June 2011, the Company has estimated unutilised tax losses of \$6,395,446 (2010: \$11,583,451) available for offsetting against future taxable income subject to relevant Tax legislation. The deferred income tax benefit on these unutilised tax losses has not been recognised in the financial statements as the realisation is not certain.

(b) Tax consolidation legislation

ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(f).

9 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2011 \$	2010 \$
Cash at bank and in hand	5,888,769	4,324,705
Total cash and cash equivalents	5,888,769	4,324,705

(a) Interest rate exposure

The Group's exposure to interest rate risk is disclosed in Note 2(a)(iii).

10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2011 \$	2010 \$
Trade receivables	413,844	-
Other receivables	33,349	72,846
	447,193	72,846

(a) Impaired trade receivables

As at 30 June 2011 current trade receivables of the group with a nominal value of \$35,500 (2010: Nil) were impaired. The amount of the provision was \$35,500 (2010: Nil). The impaired receivables relate to an independent client which is under administration.

(b) Past due but not impaired

As at 30 June 2011, commission income receivable of \$268,149 were past due but not impaired. This relates to commission income on sale of properties that would be recognised on settlement by property buyer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to interest rate risk in relation to trade and other receivables is disclosed in Note 2(a)(i).

(e) Credit terms

Credit terms which apply to real estate customers are from 30-90 days.

(f) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of other receivables mentioned above. Refer to Note 2(b) for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables and other receivables.

11 CURRENT ASSETS – INVENTORIES

	2011 \$	2010 \$
Finished goods		
At cost	-	1,009,978
	-	1,009,978

Inventories recognised as expense during the year ended 30 June 2011 amount to \$1,009,978 (2010: Nil).

12 CURRENT ASSETS – OTHER CURRENT ASSETS

	2011 \$	2010 \$
Prepayments	66,664	-
Other assets	1,250	1,250
	67,914	1,250

13 NON-CURRENT ASSETS – OTHER RECEIVABLES

	2011 \$	2010 \$
Deposits	228,668	247,473
	228,668	247,473

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Plant & Equipment	Leasehold Improvements	Motor Vehicles	TOTAL
	\$	\$	\$	\$
At 1 July 2009				
Cost	212,166	124,231	29,991	366,388
Accumulated depreciation	(175,082)	(93,892)	(12,292)	(281,266)
Net book amount	37,084	30,339	17,699	85,122
Year ended 30 June 2010				
Opening net book amount	37,084	30,339	17,699	85,122
Additions	11,807	-	-	11,807
Disposals	(10,684)	-	-	(10,684)
Depreciation charge	(9,141)	(11,377)	(3,540)	(24,058)
Closing net book amount	29,066	18,962	14,159	62,187
At 30 June 2010				
Cost	60,554	124,231	29,991	214,776
Accumulated depreciation	(31,488)	(105,269)	(15,832)	(152,589)
Net book amount	29,066	18,962	14,159	62,187
Year ended 30 June 2011				
Opening net book amount	29,066	18,962	14,159	62,187
Additions	28,853	10,401	54,545	93,799
Disposals	-	-	(11,677)	(11,677)
Depreciation charge	(16,158)	(8,860)	(3,827)	(28,845)
Exchange difference	120	119	-	239
Closing net book amount	41,881	20,622	53,200	115,703
At 30 June 2011				
Cost	89,407	134,632	54,545	278,584
Accumulated depreciation	(47,526)	(114,010)	(1,345)	(162,881)
Net book amount	41,881	20,622	53,200	115,703

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Macau Multinational Travel Agency Limited ("MYTA") in which the Company has a 40% interest were equity accounted from 1 July 2008. With effect from 1 July 2010, MYTA has been reclassified as available-for-sale financial asset (note 16).

In May 2011, China Coal Geology Engineering Corporation subscribed for 55% equity interest in China Coal Resources Pty Ltd ("CCR") for \$1,600,000. CCR holds two mineral exploration licences in Tasmania, EL15/2007 and EL55/2007, and is currently 45% owned by the Company.

	2011 \$	2010 \$
Shares in associate	1,278,794	634,168

(a) Summarised financial information of associates

The Group's share of the results of its principal associate and its aggregated assets and liabilities are as follows:

	Group's share of				
	Ownership Interest	Assets	Liabilities	Revenues	Profit/ (loss)
	%	\$	\$	\$	\$
2011					
China Coal Resources Pty Ltd	45	1,280,041	1,247	-	(30,297)
2010					
Macau Multinational Youth Travel Agency Ltd*	40	4,315,094	3,335,092	6,739,954	80,714

* Private company incorporated in Macau. It has been reclassified as available-for-sale financial asset from 1 July 2010.

16 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSET

On the basis that the Company has lost significant influence over MYTA, the directors consider it appropriate to classify MYTA as an available-for-sale financial asset with effect from 1 July 2010.

	2011 \$
Available-for-sale financial asset	634,168

(a) Investments in related parties

Refer to note 15 for information on the carrying amount of investments in associates.

(b) Impairment and risk exposure

Available-for-sale financial asset are denominated in Australian currency. The available-for-sale financial asset is carrying at cost. At 30 June 2011, there is no indicator for impairment and hence no impairment is made for the available-for-sale financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 NON-CURRENT ASSETS – MINING TENEMENTS AND EXPLORATION

	2011 \$	2010 \$
Exploration and development costs	2,848,516	2,411,461
Accumulated amortisation and impairment	-	-
	<u>2,848,516</u>	<u>2,411,461</u>

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or valuation phase is dependent on successful development and commercial exploitation, or alternatively sales of the respective areas.

The Group has 10 tenements in Western Australia. Tenements E04/1428, E04/1433, E04/1434, E04/1435 and E04/1436 reached their sixth anniversary date in April 2011, E04/1512 reached its fifth anniversary in March 2011, E04/1670 and E04/1774 reached their first anniversary in October 2010 and E04/1887 also reached its first anniversary in April 2011. The Company had a new tenement, E04/1886, granted during the year.

There were no fines for the year 2010/11. Minimum expenditure requirements for the 2011/12 financial year for the ten WA tenements are \$411,970.

The Tasmanian tenements EL15/2007 and EL55/2007 are now held by China Coal Resources Pty Ltd, a 45% owned associate of the Company. EL14/2007, which is held by ASF Metals Pty Ltd, a wholly owned subsidiary of the Company, reached its fourth anniversary date in July 2011 and its minimum expenditure requirement for the 2011/12 financial year is \$16,000. No penalties were imposed on any of the tenements in 2010/11 and no penalties are envisaged for the next year.

Capitalised costs of exploration amounting to \$641,776 (2010: \$1,624,429) have been included in cash flows from investing activities in the cash flow statement.

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$
At 1 July 2009	
Cost	2,599,990
Accumulated amortisation and impairment	(2,599,990)
Net book amount	-
Year ended 30 June 2010	
Opening net book amount	-
Addition	-
Amortisation charge	-
Closing net book amount	-
At 30 June 2010	
Cost	2,599,990
Accumulated amortisation and impairment	(2,599,990)
Net book amount	-
Year ended 30 June 2011	
Opening net book amount	-
Addition	141,792
Amortisation charge	-
Closing net book amount	<u>141,792</u>

ASF Group acquired a 75% interest in ASF Balmoral for a cash consideration of \$159,851 in September 2010 from a director of ASF Group. At 30 June 2011, goodwill of \$141,792 has been recognised. The goodwill amount is provisional at 30 June 2011 and it will be finalised by 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2011 \$	2010 \$
Trade payables	526,938	402,756
Sundry payables and accrued expenses	1,356,108	252,813
	1,883,046	655,569

(a) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 2.

20 CURRENT LIABILITIES – PROVISIONS

	2011 \$	2010 \$
Employee benefits	35,660	13,365
	35,660	13,365

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits relates to accrued annual leave. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for this obligation. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2011 \$	2010 \$
Leave obligations expected to be settled after 12 months	23,344	10,478

21 NON-CURRENT LIABILITIES – BORROWINGS

	2011 \$	2010 \$
Borrowings	1,000,000	-
	1,000,000	-

The borrowings represent a call option on the share sales agreement entered into with Mr Jianzhong Yang on 1 June 2010 for the sale of a 40% interest in ASF Properties Pty Ltd. Under the terms of the agreement the Company was granted a call option giving it the right at its election to buy back the shares either in cash of A\$1 million or the shares in the Company or a related party to the value of A\$1 million within a period commencing 24 months after the date of completion of the agreement and ending 36 months thereafter. Under Australian Accounting Standards, the call option is accounted for as a non-current liability until such time as the call option expires.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 CONTRIBUTED EQUITY

	Notes	2011 Shares	2010 Shares	2011 \$	2010 \$
Fully paid ordinary shares	(a), (b)	291,324,401	291,324,401	54,258,787	54,258,787

(a) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	\$
1 July 2009	Opening balance		220,524,401		46,163,827
12 August 2009	Share placements		2,000,000	\$0.11	220,000
2 September 2009	Share placements		2,800,000	\$0.12	336,000
15 December 2009	Conversion of convertible loan to equity	(c)	20,000,000	\$0.10	2,000,000
18 January 2010	Share placements		6,000,000	\$0.14	840,000
5 February 2010	Share placements		40,000,000	\$0.1272	5,088,000
	Less: Transaction costs arising on share issue				(389,040)
30 June 2010	Balance		291,324,401		54,258,787
			-		-
30 June 2011	Balance		291,324,401		54,258,787

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy or attorney or representative, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Conversion of convertible loan to equity

A loan of \$2,000,000 due to Mars International Pty Ltd was fully satisfied by the conversion of the principal into 20,000,000 ordinary shares of the Company on 15 December 2009.

(d) Capital risk management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including non-controlling interest) plus net debt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2011 \$	2010 \$
Share based payments	2,235,261	2,186,761
Foreign currency translation	(89,332)	(554,872)
Transactions with non-controlling interests	2,006,441	-
	<u>4,152,370</u>	<u>1,631,889</u>

	2011 \$	2010 \$
Movements:		
<i>Share-based payments</i>		
Balance 1 July	2,186,761	2,091,761
Shares issued to consultant for service rendered	48,500	95,000
Balance 30 June	<u>2,235,261</u>	<u>2,186,761</u>
<i>Foreign currency translation</i>		
Balance 1 July	(554,872)	(511,898)
Recognition of foreign currency translation reserves of associate	405,534	-
Exchange differences on translation of foreign currency	60,006	16,203
Share of other comprehensive expense of associate	-	(59,177)
Balance 30 June	<u>(89,332)</u>	<u>(554,872)</u>
<i>Transactions with non-controlling interests</i>		
Balance 1 July	-	-
Sale of shares in subsidiary to non-controlling interests	2,006,441	-
Balance 30 June	<u>2,006,441</u>	<u>-</u>

(b) Accumulated losses

	2011 \$	2010 \$
Balance 1 July	(47,795,542)	(45,039,027)
Net loss for the year	(1,643,961)	(2,756,515)
Balance 30 June	<u>(49,439,503)</u>	<u>(47,795,542)</u>

24 NON-CONTROLLING INTERESTS

	2011 \$	2010 \$
Interest in:		
Share capital	110,011	-
Retained earnings	(413,843)	-
	<u>(303,832)</u>	<u>-</u>

25 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2011 \$	2010 \$
Short-term employee benefits	993,606	785,357
Superannuation	36,915	16,777
Share-based payments	-	95,000
	<u>1,030,521</u>	<u>897,134</u>

Details of key management personnel remuneration are included in the remuneration report on pages 10-13.

Directors may be classified as employees or contractors depending on their employment arrangement and contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Shareholdings

The number of shares in the company held during the financial year by each director of ASF Group Limited and other key management personnel of the Group, including their related parties are set out below.

2011		Balance at the start of the year	Received during the year	Other changes during the year	Balance at the end of the year
Name	Notes				
Directors of ASF Group Limited					
Min Yang	1	41,906,500	-	-	41,906,500
David Fang	2	41,630,000	-	-	41,630,000
Nga Fong Lau		13,678,000	-	-	13,678,000
Geoff Baker		5,234,517	-	-	5,234,517
Alan Humphris		1,700,000	-	-	1,700,000
Wai Seng Ho		8,583,333	-	-	8,583,333
Xin Zhang		40,000,000	-	-	40,000,000
Other key management personnel of the Group					
Wei Jin		1,510,138	-	-	1,510,138
		154,242,488	-	-	154,242,488
2010					
Name		Balance at the start of the year	Received during the year	Other changes during the year	Balance at the end of the year
Directors of ASF Group Limited					
Min Yang	1	41,906,500	-	-	41,906,500
David Fang	2	41,630,000	-	-	41,630,000
Nga Fong Lau		13,678,000	-	-	13,678,000
Geoff Baker		5,234,517	-	-	5,234,517
Alan Humphris	3	1,700,000	500,000	(500,000)	1,700,000
Wai Seng Ho		8,583,333	-	-	8,583,333
Xin Zhang		-	40,000,000	-	40,000,000
Other key management personnel of the Group					
Wei Jin		1,510,138	-	-	1,510,138
		114,242,488	40,500,000	(500,000)	154,242,488

Notes:

- (1) It represents direct interest of 286,500 shares and indirect interest of 41,620,000 shares which are held by FY Holdings Limited. FY Holdings Limited is jointly controlled by Ms Min Yang and Mr David Fang, who is also a director of ASF Group Limited.
- (2) It represents direct interest of 10,000 shares and indirect interest of 41,620,000 shares which are held by FY Holdings Limited. FY Holdings Limited is jointly controlled by Mr David Fang and Ms Min Yang, who is also a director of ASF Group Limited.
- (3) 500,000 shares issued in November 2009 as share based payment to Balmoral Capital Pty Ltd (now known as ASF Balmoral Pty Limited and 75% owned by the Company) which was previously beneficially owned by Mr Alan Humphris. The shares were subsequently transferred to a related party of Mr Alan Humphris.

(c) Other transactions with key management personnel

Rent paid on the operating lease of the Head Office of the Group of \$178,451 was paid to SPC Investments Pty Ltd, an entity in which the director, Ms Min Yang, has beneficial interest. The rent is payable under a lease signed with SPC Investments on 31 March 2009 (Note 28(b)).

Legal fee of \$3,563 was paid to Mr James Humphris, a close family member of the director, Mr Alan Humphris.

\$159,851 was paid to Mr Alan Humphris as consideration for the acquisition of 75% equity interest in ASF Balmoral Pty Ltd at arm's length (Note 30).

Commission on property sales of \$114,422 was paid to Sino Property Network Ltd, an entity in which the director, Ms Min Yang, has beneficial interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Commission on property sales of \$20,755 was paid to V Property Group Pty Ltd, an entity in which the director, Mr David Fang, has beneficial interest.

Commission on property sales of \$48,900 was paid to China Glory International Investment Group, an entity in which the director, Mr Xin Zhang, has beneficial interest.

Referral fee on property sales of \$40,000 was paid to Mr Ning Shen.

Consulting fees of \$114,000 were paid to Gold Star Industry Ltd, an entity in which the director, Mr Geoff Baker, has beneficial interest.

Consulting fees of \$12,000 were paid to Balmoral Capital Pty Ltd (now known as ASF Balmoral Pty Limited) which was previously beneficially owned by Mr Alan Humphris and \$60,000 were paid to Balmoral Development Corporation Pty Ltd which is controlled by the spouse of Mr Alan Humphris.

Consulting fees of \$145,764 were paid to J Clarke Holdings Pty Ltd, an entity in which Mr Justin Clarke has beneficial interest.

Aggregate amounts of each of the above types of other transactions with key management personnel of ASF Group Limited:

	2011 \$	2010 \$
Amounts recognised as expense		
Rent paid on operating lease	178,451	155,966
Commission, referral and marketing fees on property sales	224,077	168,703
Consulting fees	331,764	186,000
Legal fee	3,563	-
Acquisition of subsidiary	159,851	-
	897,706	510,669

The terms and conditions of the above transactions are no more favourable than those which it is reasonable to expect would have been adopted if dealing with an unrelated individual at arm's length in the same circumstances.

26 REMUNERATION OF AUDITORS

	2011 \$	2010 \$
(a) PricewaterhouseCoopers		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	112,150	83,500
Total remuneration for audit and other assurance services	112,150	83,500
<i>Taxation services</i>		
Tax compliance services	20,000	12,000
Total remuneration for taxation services	20,000	12,000
Total remuneration of PricewaterhouseCoopers	132,150	95,500
(b) Non-PricewaterhouseCoopers audit firm		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	-	11,750
Total remuneration for audit and other assurance services	-	11,750
<i>Taxation services</i>		
Tax compliance services	-	5,175
Tax consulting and advice	21,500	-
Total remuneration for taxation services	21,500	5,175
Total remuneration of non-PricewaterhouseCoopers audit firm	21,500	16,925
Total auditors' remuneration	153,650	112,425

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 CONTINGENT LIABILITIES

There were no contingent liabilities at balance sheet date.

28 COMMITMENTS

(a) Capital commitments

The Company's fully owned subsidiaries, ASF Resources Ltd and ASF Metals Pty Ltd holds exploration licenses for tenements in Western Australia and Tasmania the terms of which require minimum annual expenditure as a condition of these licences.

	2011 \$	2010 \$
<i>Minimum expenditure requirements</i>		
Payable:		
Within one year	434,529	980,746
Later than one year but not later than three years	1,449	536,727
	435,978	1,517,473

(b) Non-cancellable operating leases

The Group leases its Sydney Head Office. The lease is non-cancellable with a 3 years term expiring on 31 March 2012, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the lease at the end of the three year term for an additional term of three years.

	2011 \$	2010 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	138,796	178,451
Later than one year but not later than two years	-	138,796
	138,796	317,247

29 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.

(a) Parent entity

The parent entity within the Group is ASF Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 32.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 25.

(d) Transaction with related entities

Disclosures relating to transaction with related entities are set out in Note 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 BUSINESS COMBINATION

(a) Summary of acquisition

On 22 September 2010, the Company acquired 75% of the issued shares in ASF Balmoral Pty Ltd (formerly known as Balmoral Capital Pty Limited) which is an established Australian investment banking firm operating under an Australian Financial Securities licence. The acquisition will enable the Group to further diversify its business activities and to broaden its income streams.

Purchase consideration	\$
Cash paid	<u>159,851</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$
Cash and cash equivalent	1
Trade and other receivables	45,709
Prepayments	825
Trade and other payables	(17,523)
Current tax liabilities	(4,933)
Net identifiable assets acquired	<u>24,079</u>
Less: non-controlling interest	(6,020)
Add: goodwill	<u>141,792</u>
	<u>159,851</u>

The goodwill is attributable to ASF Balmoral's strong position and presence in the financial services industry. It will not be deductible for tax purposes.

(i) Acquisition-related costs

Acquisition-related cost of \$900 representing stamp duty paid for the transfer of shares is included in legal expenses in profit or loss.

(ii) Acquired receivables

The fair value of trade and other receivables is \$45,709 and includes trade receivables with a fair value of \$25,000. The gross contractual amount of trade receivables due is \$60,500 of which \$35,500 is expected to be uncollectible.

(iii) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at its proportionate share of the acquiree's net identifiable assets.

(iv) Revenue and profit contribution

The acquired business contributed net loss of \$258,820 to the Group for the period from 22 September 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and consolidated loss for the year ended 30 June 2011 would have been \$4,279,312 and \$1,690,931 respectively.

(b) Purchase consideration – cash outflow

The purchase consideration is entirely paid in cash.

31 LIQUIDATION OF SUBSIDIARY

ASF Properties (Guangzhou) Co Ltd, which was an indirect wholly-owned subsidiary of the Company, was liquidated on 17 November 2009.

ASF (Beijing) Investment Consulting Co Ltd, which was a wholly-owned subsidiary of the Company, was liquidated on 19 April 2011.

The profit/loss contributed by the subsidiary was as follow:

	2011 \$	2010 \$
(Loss)/profit on disposal of subsidiaries	<u>(5,812)</u>	43,657
	<u>(5,812)</u>	43,657

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2011 %	2010 %
ASF (Beijing) Investment Consulting Co Ltd **	China	Ordinary	-	100%
ASF (Hong Kong) Ltd	Hong Kong	Ordinary	100%	100%
ASF Balmoral Pty Ltd	Australia	Ordinary	75%	-
ASF China Holdings Limited	BVI	Ordinary	100%	100%
ASF China Property Fund Pty Ltd	Australia	Ordinary	100%	100%
ASF Corporate Pty Ltd	Australia	Ordinary	100%	100%
ASF Energy Pty Ltd	Australia	Ordinary	100%	100%
ASF Infrastructure Group Pty Ltd	Australia	Ordinary	100%	100%
ASF Metals Pty Ltd	Australia	Ordinary	100%	-
ASF Properties Pty Ltd	Australia	Ordinary	60%	100%
ASF Resources Ltd	Australia	Ordinary	89%	100%
Aushome China Pty Ltd	Australia	Ordinary	100%	100%
Austin Resources Pty Ltd	Australia	Ordinary	100%	-

* The proportion of ownership interest is equal to the proportion of voting power held.

** Liquidated on 19 April 2011.

(b) Transactions with non-controlling interests

On 3 June 2011, ASF Group Limited disposed on 11% equity interest of ASF Resources Ltd for a consideration of \$1,800,000. The carrying amount of ASF Resources Ltd on the date of disposal was net liability of \$1,876,739. The group recognised a decrease in non-controlling interests of \$206,441 and an increase in equity attributable to owners of the parent of \$2,006,441. The effect of changes in the ownership interest of ASF Resources Ltd on the equity attributable to owners of ASF Group Limited during the year is summarised as follows:

	2011 \$	2010 \$
Carrying amount of non-controlling interests disposed	206,441	-
Consideration received for the non-controlling interests	1,800,000	-
Excess of consideration received recognised in the transactions with non-controlling interests reserve within equity	2,006,441	-

There were no transactions with non-controlling interests in 2010.

33 EVENTS OCCURRING AFTER THE REPORT PERIOD

In June 2011, the Company entered into an Investment and Cooperation Agreement with Kaili Holdings Limited ("Kaili") pursuant to which Kaili will acquire an 80% interest in two tenements (E04/1433 and E04/1436) in Ellendale, Western Australia for \$6 million. A deposit of \$1 million was received from Kaili on signing of the agreement and the balance of \$5 million was received subsequent to the year-end.

In September 2011, the Company and ASF Resources Limited ("ASFR"), an 89% owned subsidiary of the Company, entered into an Investment Agreement ("Investment Agreement") with Beijing Guoli Energy Investment Co., Ltd ("Guoli") pursuant to which Guoli agreed to subscribe for 81,818,182 new shares of ASFR representing 45% of the enlarged issued share capital of ASFR at a consideration of A\$16 million. A deposit of US\$1 million had been paid by Guoli pursuant to the Investment Agreement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 \$	2010 \$
Loss for the year	(1,747,372)	(2,756,515)
Provision for impairment of investment in associate	-	193,021
Bad debts	-	550
Share-based payment expense	48,500	95,000
Gain on disposal of plant and equipment	(3,778)	-
Proceeds from forfeiture of non-refundable deposit	(1,500,000)	-
Depreciation and amortisation	28,845	24,058
Loss on loss of significant influence over associate	405,534	-
Gain on incorporation of an associate	(1,103,934)	(43,657)
Share of loss/(profit) of associate	30,297	(80,714)
Loss on liquidation of subsidiaries	5,812	-
Change in operating assets and liabilities		
Decrease/(Increase) in inventories	1,009,978	(1,009,978)
(Increase) in receivables	(376,026)	(130,544)
Increase in payables	292,306	531,865
Net exchange differences	154,912	-
Net cash (outflow) from operating activities	(2,754,926)	(3,176,914)

35 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2011 \$	30 June 2010 \$
Balance Sheet		
Current assets	6,876,754	4,764,206
Non-current assets	3,966,006	634,382
Total assets	10,842,760	5,398,588
Current liabilities	1,214,800	1,000
Non-current liabilities	1,000,000	-
Total liabilities	2,214,800	1,000
Net assets	8,627,960	5,397,588
Shareholders' equity		
Issued capital	54,258,787	54,258,787
Reserves	10,235	(118,450)
Share based payment reserve	2,235,261	2,186,761
Retained losses	(47,876,323)	(50,929,510)
Total equity	8,627,960	5,397,588
Profit/(Loss) for the year	3,053,187	(5,262,785)
Recognition of foreign currency translation reserves on loss of associate	405,534	-
Exchange differences on translation of foreign operations	(276,849)	10,235
Share of other comprehensive (Expense) of associate	-	(59,177)
Total comprehensive profit/(loss)	3,181,872	(5,311,727)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 PARENT ENTITY FINANCIAL INFORMATION (continued)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

36 EARNINGS PER SHARE

	2011 Cents	2010 Cents
Basic loss per share	(0.53)	(1.02)
Diluted loss per share	(0.53)	(1.02)

Reconciliations of earnings used in calculating 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:-

	2011 \$	2010 \$
Earnings (i)	(1,643,961)	(2,756,515)
Weighted average number of ordinary shares	308,696,375	270,832,265

- (i) Earnings used in the calculation of basic and diluted earnings per share are net loss after tax attributable to members of the parent entity as per the income statement.
- (ii) At balance sheet date there were no potential shares and therefore no dilutive shares.

37 SHARE-BASED PAYMENTS

(a) Employee share plan

An employee share plan (the "Plan") under which shares may be issued by the Company to employees was approved by shareholders at the annual general meeting held on 8 November 2007. The terms of the Plan are summarised below:

- (i) The Board may in its discretion invite any directors, executives, managers, consultants, officers or employees to apply for shares or rights in the Company pursuant to the Plan. These shares or rights will be issued on such terms and conditions prescribed by the Board in accordance with the terms of the Plan.
- (ii) The Company may not invite participation in the Plan other than in accordance with the requirements of the Corporations Act or by fulfilling the conditions and requirements of an applicable exemption from the Corporations Act.
- (iii) Shares or rights will be subject to such escrow requirement as may be imposed by the ASX, but otherwise listing of shares will be subject to policy adopted by the directors.
- (iv) The Plan may be amended by the Board subject to the ASX Listing Rules, the Corporations Act and all other applicable laws.

During the year ended 30 June 2011, no shares were issued under the Plan.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2011 \$	2010 \$
Shares issued to consultants for services rendered	48,500	95,000
	48,500	95,000

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2011.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Number of ordinary shareholders
1 - 1,000	1,435
1,001 - 5,000	1,168
5,001 - 10,000	450
10,001 - 100,000	531
100,001 - and over	109
	<u>3,693</u>

There are 2,436 holders holding less than a marketable parcel based on the market price at 26 September 2011.

B. Equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
FY HOLDINGS LIMITED	41,620,000	13.48
SUNTIMES INTERNATIONAL LTD	40,000,000	12.95
LI ZHEN	29,159,008	9.44
NGA FONG LAO	13,678,000	4.43
WELL SMART CAPITAL HOLDINGS (BVI 1557182)	12,000,000	3.89
RISING GAIN HOLDINGS LIMITED	10,890,000	3.53
BETTER FUTURE CAPITAL INVESTMENT LIMITED	10,000,000	3.24
GLORY RESOURCES INTERNATIONAL INVESTMENT LIMITED	10,000,000	3.24
RUITONG WANG	10,000,000	3.24
WAI SANG HO	8,583,333	2.78
XING MAO LIMITED	8,140,515	2.64
PHILLIP SECURITIES (HONG KONG) LTD <CLIENT A/C>	7,648,734	2.48
YING BIAO HUANG	7,200,000	2.33
STAND MORAL INTERNATIONAL LIMITED	7,050,000	2.28
GOLD STAR INDUSTRY LIMITED	5,150,000	1.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,147,817	1.67
EURO CENTRE INTERNATIONAL LIMITED	5,101,388	1.65
HUA LONG INVESTMENT HOLDING GROUP LIMITED	3,816,666	1.24
UNITED LIGHT INVESTMENTS LIMITED	2,945,409	0.95
MR JIARONG HE	2,802,405	0.91
	<u>240,933,275</u>	<u>78.02</u>

C. Substantial holders

Substantial holders in the Company are set out below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
FY HOLDINGS LIMITED	41,620,000	13.48
SUNTIMES INTERNATIONAL LTD	40,000,000	12.95
LI ZHEN	29,159,008	9.44

D. Voting right

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy or attorney or representative, is entitled to one vote, and upon a poll each share is entitled to one vote.

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