

2012 ANNUAL REPORT

Partnering business between **Australia** and **China**

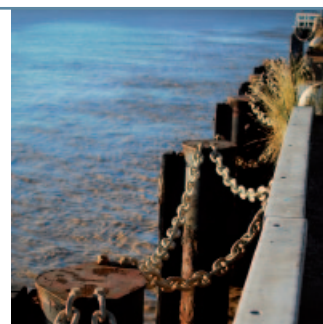
energy property investments

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 5 to 17, which is not part of the financial statements.

The financial report was authorised for issue on 28 September 2012. The Directors have the power to amend and reissue the financial report.



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		The financial report was authorised for issue on 28 September 2012. 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

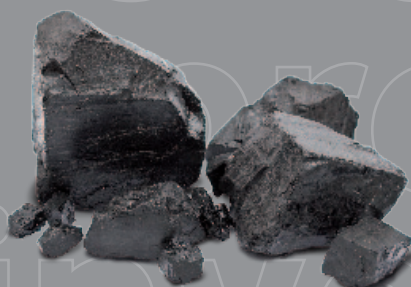
39-41 York Street
Sydney NSW 2000

Stock Exchange listing

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



www.asfgroupltd.com



Chairman's Report



Ms Min Yang

Dear Shareholder,

I am pleased on behalf of the Board of Directors to present the 2012 Annual Report of ASF Group Limited and its controlled entities ("ASF" or the "Group"). The year completed was one of intense activity and the Group was very pleased to report a consolidated profit after tax of \$21,243,999 (2011: loss of \$1,643,961).

Our strategy makes ASF unique among ASX-listed public companies in Australia as a creator and facilitator of two-way cross-border investments, trade and technology transfers between China and Australia.

As a Sino-Australian investment and trading house, ASF is focused principally on the identification, incubation and realisation of embryonic opportunities, especially in the resources sector. With the successful monetisation of several projects in the year completed, ASF has demonstrated its expertise in transforming early-stage Australian opportunities into deliverable projects through joint venturing with its expanding network of major Chinese mining, trading and strategic investor partners.

We anticipate that attractive investment and transactional opportunities for the Company should continue throughout the current year, and our objective is to seek to reduce the lead times to implement transactions, which are often lengthy in our current regulated environment.

Mineral Resources

During the year completed, the Company's primary objective was to add value to the Company's assets and to generate profits through the introduction of co-venturers to a number of our projects:

Canning Basin (WA)

The Company currently owns 48.95% of ASF Resources Limited (ASFR) which holds 7 exploration licences covering a total area of 1,337km². The target commodity of the Canning Basin tenements is sub bituminous thermal coal within the Permian Lightjack

Formation. In December 2011, the Company initiated a \$16 million capital injection into the share capital of ASFR by a subsidiary of Beijing Guoli Energy Investment Co., Ltd. This injection of new capital will facilitate a proposed expansion of ASFR's exploration and related activities scheduled to take place this year.

Also in the Canning Basin, our joint venture company, ASF Kaili Resources Pty Limited ("ASF Kaili") has initiated an exploration program, including exploration planning and heritage inspections and clearances. A drilling program is planned for later in this financial year pending heritage clearance approval from the local Aboriginal communities. During the year the Company sold an 80% beneficial interest in ASF Kaili for \$6 million.

Tasmania

ASF has interests in five granted tenements, two of which lie within the Cambrian Mount Read Volcanics which host several world class polymetallic mines. In April 2010 the Company entered into a co-operative agreement with China Coal Geology Engineering Corporation ("CCGEC") from which the joint venture company, China Coal Resources ("CCR") was formed. CCGEC currently holds a 75% interest in CCR as a result of its contributions to the share capital of the joint venture company.

Our other mineral exploration interests in Tasmania include tenements that are prospective for base metals, gold which are held through our subsidiary companies, Austin Resources Pty Ltd and ASF Metals Pty Ltd.



Chairman's Report - continued

Investment Activities

Recent investment transactions completed late in the year and subsequent to year end, include our investments in ASX listed companies, Activex Limited (Activex) and Rey Resources Limited (Rey).

Activex is a junior exploration company which holds a number of promising copper and precious metals projects in Queensland. Following our participation to a share placement in May 2012, ASF held 13.04% of the then share capital of Activex and I joined the Board of the company.

Following subscriptions to the share capital of Rey in May and September 2012, the Company holds a 22.75% interest in the share capital of Rey and Geoff Baker and I have been appointed to the Board of Rey. Rey holds extensive tenements in the Canning Basin which include the Duchess-Paradise thermal coal project for which a Definitive Feasibility Study was completed in June 2011.

Fund Management and Corporate Advisory Services

ASF Balmoral Pty Limited (ASF Balmoral), the Group's 75% owned entity that holds an Australian Financial Services Licence operates as the financial services arm of the Group. Its main services comprise the marketing of Fund Management products to the Australian wholesale investor markets and also the provision of corporate advisory services. ASF Balmoral has been appointed to represent offshore and local Fund managers. The investor markets continued to be difficult throughout the year completed though increased activity is anticipated in the current year.

Property Marketing and Services

ASF Properties Pty Ltd continues to successfully provide property and marketing services. The Company's main focus is on building and extending our network in the Greater China Area.

Through existing and new networks we have achieved successful sales of Australian property projects including Breakfast Point, Inmark and Hyde Park Residence in China.

Financial result

For the year completed, the Group was pleased to announce a consolidated profit after tax attributable to members of the Company of \$21,243,999, compared with a loss of \$1,643,961 for the previous year. This places the Group in a significantly stronger financial position than 12 months ago. Our cash resources are being employed judiciously for investment, working capital and our current share buy-back program.

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.

A handwritten signature in black ink, appearing to read 'Myang'.

Ms Min Yang
Chairman

Directors' Report



Ms Min Yang

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 2012.

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

Mr Xin Zhang



Mr Nga Fong Lao

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.

Other current directorships: Ms Min Yang is a non-executive director of ActivEX Limited and Rey Resources Limited.

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



Mr Wai Sang Ho



Mr Geoff Baker

Directors' Report – continued

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.

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, Gold Star Industry Ltd.

Other current directorship: Mr Geoff Baker is a non-executive director of Rey Resources Limited.



Mr Alan John Humphris



Mr Xin Zhang



Mr Chi Yuen (William) Kuan

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 jointly with his spouse.

Other current directorships: Alan Humphris is a non-executive director of 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, Suntimes International Limited.

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, corporate finance and company secretarial areas. Prior to joining the ASF Group, he was company secretary for a number of different Hong Kong listed companies.

Overview – ASF Group Ltd Resources Sector

ASF Resources Ltd³

Tenement No.: 7

Total Tenement Area: 1337.02 km²

Rey Resources Ltd¹

Tenement No.: 40

Total Tenement Area: 6432.5 km²

ASF Resources (WA) Pty Ltd*

Tenement No.: 2

Total Tenement Area: 355.5 km²

ASF Kaili Resource Pty Ltd⁴

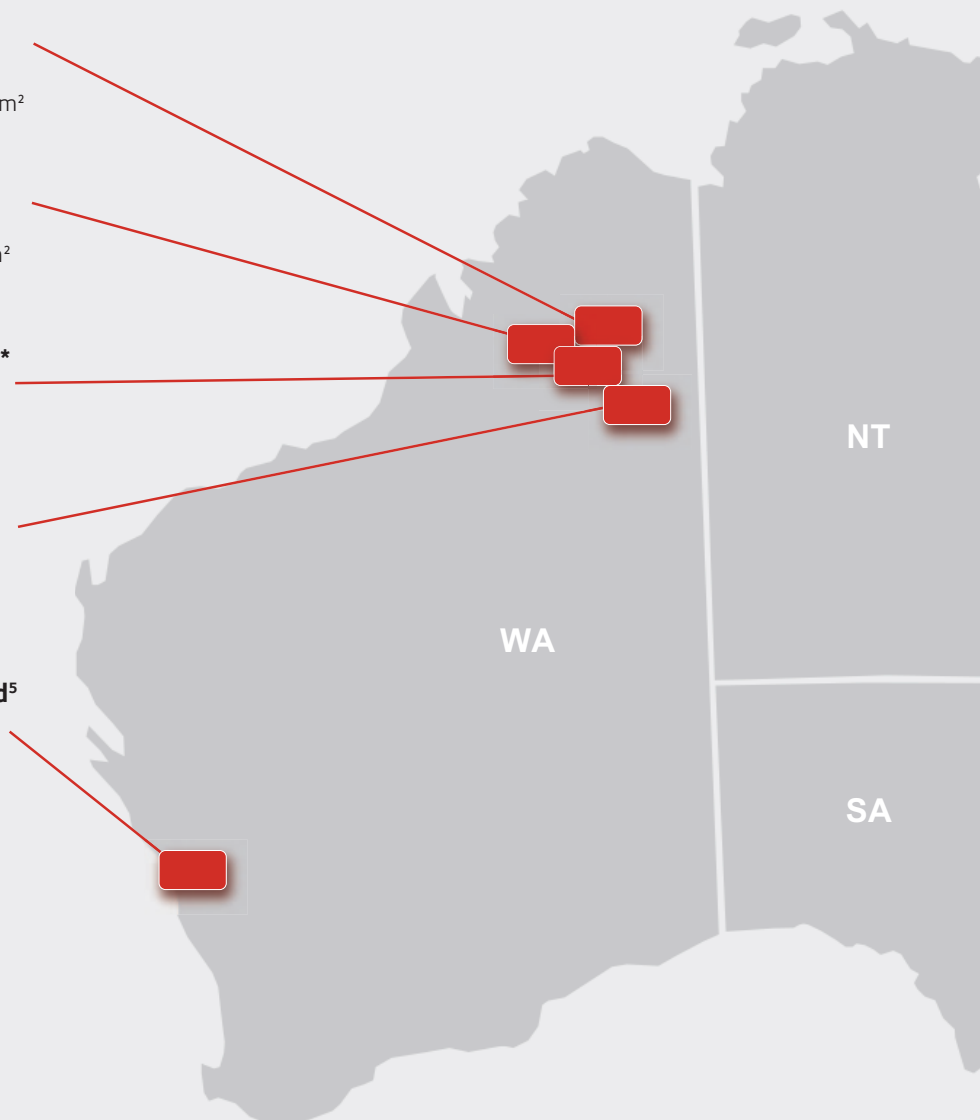
Tenement No.: 2

Total Tenement Area: 97.65 km²

China Coal Resources Pty Ltd⁵

Tenement No.: 1

Total Tenement Area: 70 km²



Summary

Total Tenement No.: 96

Under Application: 24

Total Tenement Area: 17747.63 km²

Minerals: Coal, Gold, Copper, Tin, Potash, Iron Ore, Base Metals.

States Covered: WA, QLD, VIC & TAS.

Please Note:

The square symbols are not to scale, but merely an approximate representation of tenements' general geographic location and proportional size to each other. Some tenements are under application. Based on information correct as of 17/10/12.

1. ASF holds a 22.7% share in Rey Resources Ltd, and is the largest shareholder.

2. ASF holds a 13.04% share in ActivEX Ltd, and is the largest shareholder.

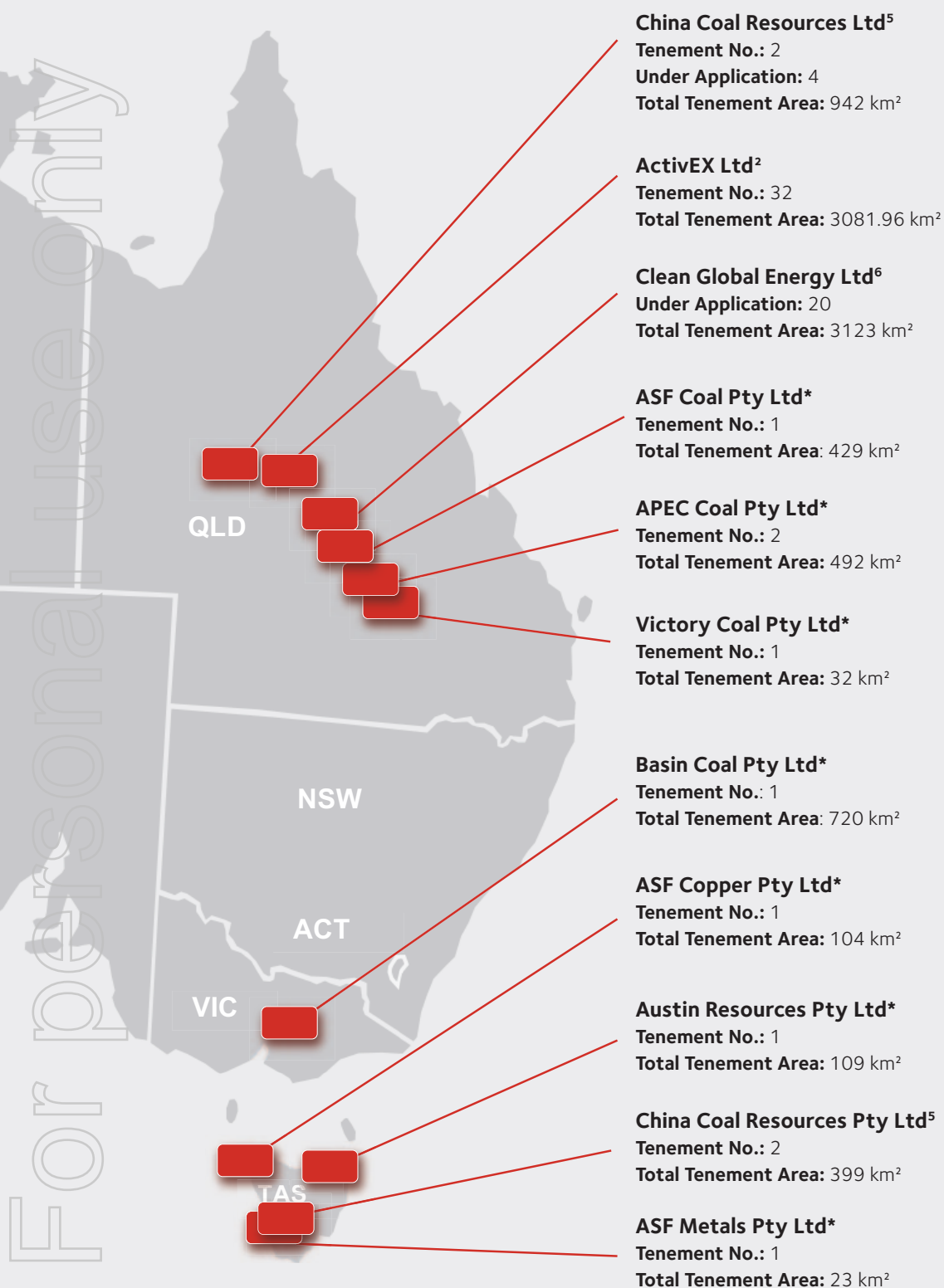
3. ASF holds a 48.95% share in ASF Resources Ltd.

* ASF holds a 100% share in those subsidiaries footnoted by asterisk.

4. ASF holds a 20% share in ASF Kaili Resource Pty Ltd.

5. ASF holds a 25% share in China Coal Resources Pty Ltd.

6. ASF has purchased all the rights in these tenements from CGE.



Directors' Report - continued

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. Below are principal subsidiaries of the Group:



Notes:

- (i) ASF Gold and Copper was incorporated on 11 May 2012
- (ii) ASF Canning Basin was incorporated on 15 June 2012
- (iii) For a full list of subsidiaries please see Notes to the Financial Statements 31 on page 57.

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.

Significant changes in state of affairs

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

- (a) Subscription by Longluck Investment (Australia) Pty Ltd ("Longluck"), a subsidiary company of Beijing Guoli Energy Investment Co., Ltd of \$16 million for

81,818,182 new shares representing 45% of the enlarged issued capital of ASF Resources Limited ("ASFR").

- (b) Sale of 80% interest in Kaili International Resource Ltd ("Kaili") which indirectly holds two exploration licenses in Ellendale, Western Australia for \$6 million.
- (c) Re-acquisition of 40% interests in ASF Properties Pty Ltd from Mr Jianzhong Yang for \$1 million.
- (d) Issuance of 10 million shares to Mr Jianzhong Yang at a price of \$0.20 per share.
- (e) Implementation of an on-market buyback proposal and repurchase of 8,920,692 shares from the market during the year.
- (f) Subscription of 24,794,398 new shares in ActivEX Limited at 2.7 cents per share.
- (g) Subscription of 25,000,000 new shares in Rey Resources Limited at \$0.12 per share.
- (h) Full impairment of investment in MYTA of \$657,491 during the financial year.



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Dividends

No dividends have been declared in the 2012 financial year (2011: Nil).

Review of operations, financial position, business strategies and prospects

Financial Position

Revenue from continuing operations of the Group for the financial year ended 30 June 2012 increased by 9% to \$1,653,349 (2011: \$1,517,834).

Consolidated profit after tax attributable to members of the Company increased considerably amounting to \$21,243,999, compared with a loss of \$1,643,961 for the previous year.

The significant increase in profits was contributed by the following items:

- Gain on loss of control over investments in ASFR of approximately \$18.4 million; and
- Gain of approximately \$6.1 million recognised on the sale on 80% interest in Kaili.

While the profits were generated predominantly from one-off transactions, these transactions were consistent with the Company's strategy. This business strategy includes the transformation of early-stage Australian resource opportunities into deliverable projects through joint venturing with the Company's expanding network of major Chinese mining, trading and strategic investor partners. The Directors believe that similar opportunities will continue to emerge in future.

On 16 February 2012, the Company announced a share buy-back proposal pursuant to which the Company is able to purchase on the ASX market up to 10% of its issued shares within 12 months from 2 March 2012. Up to 30 June 2012, the Company has spent approximately \$1.5 million on the share buy-back.

The Group continues to maintain a strong financial position with approximately \$7.1 million of cash as at 30 June 2012. As at the balance sheet date, the Group does not have any outstanding loans or debts.

Investments

Consistent with its strategy, the Company invested in other potential resources company including ActivEX Limited ("AIV") in May 2012. As a consequence the Company became a substantial shareholder of AIV holding approximately 13.04% of its then issued capital.

The Company also announced in June 2012 that it had entered into an agreement to subscribe for up to 115 million new shares in the capital Rey Resources Limited ("Rey") in two tranches, the second of which being subject to the approval of Rey shareholders. As at 30 June 2012, the Company had purchased 25 million shares representing approximately 6.01% of its then issued capital. Rey's shareholders approved the subscription for the second tranche of 90 million Rey shares at an Extraordinary General Meeting held on 6 September 2012. The Company now holds an interest of approximately 22.7% in the issued share capital of Rey.

Directors' Report – continued

Minerals and 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 48.95% owned associate, ASFR.

ASFR's Canning Basin Project comprises 7 exploration licences covering a total area of 1,337km². The target commodity of the Canning Basin tenements is sub bituminous thermal coal within the Permian Lightjack Formation.

In December 2011, ASFR completed a \$16M capital injection by Longluck. The injection of new capital will facilitate a proposed expansion of ASFR's exploration and related activities.

In the first quarter of 2012, Geos Mining began detailed desktop studies of the Canning Basin tenements and is assisting ASFR 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 and includes exploration of the down dip extension in ASFR's tenements which are adjacent to tenements held by Rey containing Duchess Paradise coal project resources.

Completion of subscription for Rey shares occurred on 11 September 2012 and the Company now holds an interest of approximately 22.7% in the issued share capital of Rey. ASF will seek to assist Rey to facilitate the development of its Duchess-Paradise project as a thermal coal mine, exporting coal through the port of Derby.

ASF Kaili Resources Pty Limited ("ASF Kaili") also employed the services of Geos Mining to assist with various facets of the exploration program, including exploration planning and heritage inspections and clearances. A drilling program is planned for later in financial year 2013 pending heritage clearance approvals from local Aboriginal communities.

In Tasmania, the Company has interests in five granted tenements, two of which lie within the Cambrian Mount Read Volcanics which host several world class polymetallic mines. In April 2010 the Company entered into a cooperative agreement with China Coal Geology Engineering Corporation ("CCGEC") and then in early 2011, China Coal Resources ("CCR") was formed. The Company announced in July 2012 that CCGEC had increased its stake in CCR by subscribing \$600,000 for 800,000 new ordinary shares representing 20% of the enlarged issued capital of CCR for and, as a consequence, CCGEC now holds a 75% interest in CCR.

CCR, during the year, conducted field work in the Wilmot and Lake Pieman areas including geological reconnaissance, soil sampling and drainage geochemical surveys. CCR also recently received approvals for two tenement applications in the Queensland Bowen Basin and is currently in an exploration planning phase.

Property Marketing and Services

ASF Properties Pty Ltd continues to provide property and marketing services. The company mainly focuses on building and extending our network in the Greater China Area.

Through existing and new networks we have achieved successful sales of Australian property projects within China including Breakfast Point, Inmark and Hyde Park Residence.

To fully utilize the increasing Chinese investment into Australia, ASF Properties takes advantage of wealthy individual property investment opportunities and also provides 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 to further grow the business.

Fund Management and Advisory Services

ASF Balmoral Pty Limited, the Group's 75% owned entity, holds an Australian Financial Services Licence and operates as the financial services arm of the Group. Its main services comprise the marketing of Fund Management products to the Australian wholesale investor markets and also the provision of corporate advisory services.

ASF Balmoral represents Hong Kong based Fund Manager, Marco Polo Pure Asset Management, a specialist award winning China A share manager in the Australian market. During the year, ASF Balmoral was appointed by Cadence Capital, a long biased Australian equities manager and also





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by LaTrobe Financial, to assist with the raising of institutional monies. Cadence has an outstanding 8-year track record of performance. LaTrobe Financial manages \$1.6 billion of Australian residential and commercial mortgage investments with a 60-year track record as a specialist residential mortgage lender dedicated to successfully managing both retail and wholesale mandates. Uncertain global investor market conditions prevailed throughout the year, which has slowed investment decision making.

The corporate advisory services are provided within ASF Group and to external clients. ASF Balmoral advises and assists companies with the raising of capital, implementation of IPOs, acquisitions and other transactions. Increased activity is anticipated in the current financial year.

Resources Trading

Building on the success of its first trial shipment of coal in 2011, ASF Energy continues to explore opportunities for export of iron and steel residue product. In the presence of prevailing uncertainties in the commodity markets, ASF Energy continues to assess the prospects of further shipments of coal and other mineral resources with a view to the resource s trading business making a positive contribution to the Group's results.

Matters subsequent to the end of the financial year

In July 2012, CCGEC increased its stake in CCR by subscribing 800,000 new ordinary shares representing 20% of the enlarged issued capital of CCR for \$600,000 and, as a consequence, CCGEC now holds a 75% interest in CCR.

On 23 August 2012, the Company entered into a \$7 million loan facility agreement with Star Diamond Developments Limited. The loan is repayable within 90 days after the date of loan drawdown. Alternatively, the loan facility can be fully repaid by conversion of the loan into the Company's shares or new shares of the

Company's subsidiaries or investments held by such subsidiaries or a combination of them.

The second tranche subscription for 90 million new ordinary shares in the capital of Rey completed on 11 September 2012 and the Company now holds an interest of approximately 22.7% in the issued share capital of Rey.

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 Group 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 \$23,996 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.

Directors' Report – continued

Remuneration report

The directors are pleased to present Company's 2012 remuneration report which sets out remuneration for ASF Group Limited's non-executive directors, executive directors and other key management personnel.

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.

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.

Non-executive director remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. Except for the directors as disclosed in this remuneration report, no remuneration was paid to the non-executive directors of the Company.

Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent
- aligned to the company's strategic and business objectives and the creation of shareholder value
- transparent, and
- acceptable to shareholders.

The executive remuneration framework has two components:

- base pay and benefits, including superannuation, and
- long-term incentives through participation in the Employee Share Plan.

Base pay and benefits

Executives are offered a competitive base which is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. Directors receive fixed annual fees for providing consulting services to the consolidated entity.

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

Superannuation

Contributions are made to the employee's designated Superannuation Funds. Other retirement benefits may be provided directly by the group if approved by shareholders.

Long-term incentives

Long-term incentives are provided to certain employees via the Employee Share Plan which was approved by shareholders at the 2007 annual general meeting. The Employee Share Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Voting and comments made at the Company's 2011 Annual General Meeting

The Company received unanimous votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.



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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

2012	Base remuneration \$	Consulting fees \$	Super- annuation \$	Total \$
<i>Directors</i>				
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
<i>Other key management personnel</i>				
Chi Yuen (William) Kuan, Company Secretary	93,253	-	8,325	101,578
Justin Clarke, Development and Operations Director, ASF Corporate (d)	-	146,369	-	146,369
Sally Humphris, Executive Director, ASF Balmoral (e)	152,019	-	13,500	165,519
Ning Shen, General Manager – China Business Development, ASF Corporate	80,000	-	7,200	87,200
Wei Jin, Director, ASF Resources	60,000	-	5,400	65,400
Total other key management	385,272	146,369	34,425	566,066

- (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 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

Remuneration – Key management personnel of the Group – continued

2011	Base remuneration \$	Consulting fees \$	Super-annuation \$	Total \$
<i>Directors</i>				
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
<i>Other key management personnel</i>				
Chi Yuen (William) Kuan, Company Secretary	85,368	-	7,575	92,943
Justin Clarke, Development and Operations Director, ASF Corporate (d)	-	145,764	-	145,764
Sally Humphris, Investment Director, ASF Balmoral (e)	151,514	-	13,500	165,014
Ning Shen, General Manager – China Business Development, ASF Resources	80,000	-	7,200	87,200
Wei Jin, Director, ASF Resources	60,000	-	5,400	65,400
Mark Derriman, General Manager, ASF Resources (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.



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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 – monthly with consulting 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 consulting 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.

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 – \$7,917 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 – \$15,625 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 Corporate

- 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.

Directors' Report – continued

Share-based compensation

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 may be issued to all directors and executives of the Company to increase goal congruence among directors, executives and shareholders.

During the year ended 30 June 2012, no shares were issued as share-based compensation.

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	\$	\$	\$	\$
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	1,517,834	(1,747,372)	(0.53)	8,667,822	0.028	-	0.115
2012	1,653,349	21,169,346	6.88	29,199,305	0.095	-	0.138

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 8 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	8	8	-	-
David Fang	8	8	-	-
Nga Fong Lao	8	6	-	-
Geoff Baker	8	6	3	3
Alan Humphris	8	7	3	3
Wai Sang Ho	8	5	-	-
Xin Zhang	8	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.

- 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.

Non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms during the year are disclosed in note 26.

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 in note 26.

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:

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 18.

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
28 September 2012

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of ASF Group Limited for the year ended 30 June 2012, 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 black ink, appearing to read 'J Reilly'.

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
28 September 2012

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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.	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 are not 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	3-6
3.1	Establish a code of conduct and disclose the code or a summary of the code.	Yes	7
3.2	Establish a policy concerning diversity and disclosed the policy or a summary of that policy.	No	8
3.3	Disclose the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	9
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	10
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	Yes	8-10
4.1	The Board should establish an audit committee.	Yes	11
4.2	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	11
4.3	The audit committee should have a formal charter.	Yes	11
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	11
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	12
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Yes	12
6.1	Has a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy.	Yes	13
6.2	Provide the information in the Guide to reporting on Principle 6.	Yes	13

Corporate Governance Statement – continued

7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	14
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	14
7.3	Disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	Yes	15
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Yes	14-15
8.1	Establish a remuneration committee.	No	16
8.2	The remuneration committee is structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; • has at least three members.	No No No	16
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	17
8.4	Provide the information indicated in Guide to reporting on Principle 8.	Yes	16-17

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 2012 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.

At the reporting date of the 2012 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 does not have a specific diversity policy. However, the Group always constantly pursuit the recruitment on the basis of competence and performance regardless of age, nationality, gender, race, religious beliefs or cultural background.
9. The Company will be considering the adaptation of a diversity policy and believe the following objectives will be the part of the measurable gender diversity objectives throughout the organisation:
 - (1) Develop a diverse and skilled workforce to continually pursuit the achievement of corporate goals;
 - (2) Build and maintain a safe work environment against inappropriate workplace and business behaviour (including sexual discrimination, harassment, sexual-bullying and victimisation);
 - (3) Develop flexible work practices to meet the different needs of our employees and especially to assist our female employees to achieve the life-work balance; and
 - (4) Provide employment and career development opportunities for women.
10. Of the seven directors, one is female who is the Chairman of the Board. Within the workforce of the Group, one senior executive is female and women comprise approximately 30% of the employees.
11. 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 and as such 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.

Corporate Governance Statement – continued

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

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

13. 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'.

14. 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.

15. 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.



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16. 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.
17. 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.

Consolidated Statement Of Comprehensive Income

FOR YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
Revenue from continuing operations	5	1,653,349	1,517,834
Other income	6	24,878,228	2,675,628
Cost of sales	7	(564,855)	(1,996,811)
Marketing expenses		(228,100)	(188,607)
Consultants expenses		(1,288,146)	(946,721)
Occupancy expenses	7	(354,105)	(408,532)
Professional fees		(166,347)	(235,749)
Administration expenses		(422,477)	(331,047)
Employment expenses		(934,712)	(676,567)
Corporate expenses		(90,951)	(79,571)
Depreciation and amortisation expense	7	(38,489)	(28,845)
Legal expenses		(94,154)	(55,913)
Finance income/(costs)		21,347	(9,798)
Share-based payments	7	-	(48,500)
Impairment of goodwill	7	(141,792)	-
Impairment of available for sale financial assets	7	(657,491)	-
Loss on loss of significant influence over associate	7	-	(405,534)
Other expenses		(9,669)	(492,530)
Loss on liquidation of subsidiaries	30	-	(5,812)
Share of net loss of associate		(173,076)	(30,297)
Profit/(loss) before income tax		21,388,560	(1,747,372)
Income tax expense	8	(219,214)	-
Profit/(loss) for the year		21,169,346	(1,747,372)
Profit/(Loss) is attributable to:			
Members of the parent entity		21,243,999	(1,643,961)
Non-controlling interest		(74,653)	(103,411)
		21,169,346	(1,747,372)
Other Comprehensive (loss)/income			
Exchange differences on translation of foreign currency		153,518	465,540
Fair value change in available-for-sale financial assets		(1,372,944)	-
Other Comprehensive Income for the year		(1,219,426)	465,540
Total Comprehensive Profit/(Loss) for the year		19,949,920	(1,281,832)
Total Comprehensive profit/(loss) for the year is attributable to:			
Members of the parent entity		20,024,573	(1,178,421)
Non-controlling interest		(74,653)	(103,411)
		19,949,920	(1,281,832)
Earnings per share for Profit/(Loss) attribute to the ordinary equity holders of the Company:			
Basic (cents per share)	35	6.88	(0.53)
Diluted (cents per share)	35	6.88	(0.53)

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

Consolidated Statement Of Financial Position

AS AT 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	7,103,469	5,888,769
Trade and other receivables	10	755,678	447,193
Other current assets	11	87,464	67,914
Total current assets		7,946,611	6,403,876
Non-current assets			
Other receivables	12	159,616	228,668
Plant and equipment	13	128,028	115,703
Investments accounted for using the equity method	14	5,974,127	1,278,794
Available-for-sale financial asset	15	2,296,505	634,168
Held-for-distribution investment	16	14,015,555	-
Mining tenements and exploration	17	657,272	2,848,516
Intangible assets	18	-	141,792
Total non-current assets		23,231,103	5,247,641
Total assets		31,177,714	11,651,517
LIABILITIES			
Current liabilities			
Trade and other payables	19	1,745,715	1,883,046
Deferred revenue		-	64,989
Provisions	20	13,480	35,660
Total current liabilities		1,759,195	1,983,695
Non-current liabilities			
Deferred tax liabilities	8	219,214	-
Other non-current liabilities	21	-	1,000,000
Total non-current liabilities		219,214	1,000,000
Total liabilities		1,978,409	2,983,695
Net assets		29,199,305	8,667,822
EQUITY			
Contributed equity	22	54,583,282	54,258,787
Reserves	23	2,932,944	4,152,370
Accumulated losses	23	(28,195,504)	(49,439,503)
Capital and reserves attributable to members of the parent entity		29,320,722	8,971,654
Non-controlling interest	24	(121,417)	(303,832)
Total equity		29,199,305	8,667,822

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

Consolidated Statement Of Changes In Equity

FOR YEAR ENDED 30 JUNE 2012

	Note	Contributed equity \$	Reserves \$	Accumulated losses	Total \$	Non- controlling interest \$	Total equity \$
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 income/ (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	36	-	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		-	-	-	-	(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
Balance at 1 July 2011		54,258,787	4,152,370	(49,439,503)	8,971,654	(303,832)	8,667,822
Profit for the year		-	-	21,243,999	21,243,999	(74,653)	21,169,346
Exchange differences on translation of foreign currency		-	153,518	-	153,518	-	153,518
Fair value change in available-for sale financial assets	23	-	(1,372,944)	-	(1,372,944)	-	(1,372,944)
Total comprehensive profit for the year		-	(1,219,426)	21,243,999	20,024,573	(74,653)	19,949,920
Transaction with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	22	1,880,000	-	-	1,880,000	-	1,880,000
Share buy-back	22	(1,555,505)	-	-	(1,555,505)	-	(1,555,505)
Non-controlling interest	24	-	-	-	-	257,068	257,068
		324,495	-	-	324,495	257,068	581,563
Balance at 30 June 2012		54,583,282	2,932,944	(28,195,504)	29,320,722	(121,417)	29,199,305

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

Consolidated Statement Of Cash Flows

FOR YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,646,727	1,266,789
Payments to suppliers and employees		(5,258,185)	(4,083,739)
Interest received		341,562	66,957
Interest paid		-	-
Income tax paid		-	(4,933)
Net cash outflow from operating activities	33	(3,269,896)	(2,754,926)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		(578,347)	(641,776)
Payment for PP&E		(55,079)	(78,583)
Investment in associates		-	(82)
Investment in available-for-sale financial asset		(3,669,449)	-
Investment in subsidiaries		234	(159,850)
Proceeds for disposal of subsidiary		4,628,188	(5,812)
Loan to related parties		(311,069)	-
Repayment of loans by related parties		4,982,892	-
Net cash inflow/(outflow) from investing activities		4,997,370	(886,103)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1,000,000
Repayment of borrowings		(1,000,000)	-
Proceeds from share issue		1,870,723	-
Payment for share buyback		(1,546,227)	-
Proceeds received in advance for issue of shares of a subsidiary		-	1,000,000
Transactions with non-controlling interests		-	1,800,000
Proceeds from forfeiture of non-refundable deposit		-	1,500,000
Net cash (outflow)/inflow from financing activities		(675,504)	5,300,000
Net increase in cash held		1,051,970	1,658,971
Cash and cash equivalents at the beginning of the financial year		5,888,769	4,324,705
Effect of exchange rate changes on cash and cash equivalents		162,730	(94,907)
Cash and cash equivalents at the end of the year		7,103,469	5,888,769

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

Notes To The Financial Statements

FOR YEAR ENDED 30 JUNE 2012

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. ASF Group Limited is a for-profit entity for the purpose of preparing the financial statements.

(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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 Related Party Disclosures resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in note 40, and the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) 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.

(v) 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 2012 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. (refer to note 1 (i))

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 investment in associates includes goodwill identified on acquisition (refer to note 14).

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.

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.

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, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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) Resources trading

Revenue from the resources trading is recognised when the mineral resources are shipped and the vessel is departed from the port.

(ii) Commission revenue

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

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

(iii) Corporate services

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

(iv) Fund management and advisory services

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

(v) Interest income

Interest income is recognised using the effective interest method.

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.

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 and the amount of any non-controlling interest in the acquiree over the fair value 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.

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) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and held-for-distribution investment. 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 12) 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

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprising a 40% owned associate, MYTA, in which the Company does not have significant influence over it and investments in the listed securities of ActivEX Limited and Rey Resources Limited. 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.

(iv) Held-for-distribution investment

Held-for-distribution investment comprising principally the value of shares in ASF Resources Limited which will be distributed to shareholder by way of in specie distribution.

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

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. 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 profit and loss. 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 profit and loss.

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

(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.

(n) 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:

Plant & equipment	25% - 37.5%
Leasehold improvements	37.5%
Motor vehicles	20.0%

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.

(o) Intangible assets

Goodwill is measured as described in note 1(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

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FOR YEAR ENDED 30 JUNE 2012

(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.

The obligation are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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 36.

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.

(t) 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.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of ASF Group Limited as treasury shares until the shares are cancelled or reissued.

(u) 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 35).

(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.

(v) 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.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group'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.

*In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective from 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation Special Purpose Entities. The core principle that a consolidated entity presents a parent and its

subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

There will be no impact on any of the amounts recognised in the financial statements as the Group does not have any joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investment.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. There will be no impact on any of the amounts recognised in the financial statements as the Group does not have any joint venture becomes an associate.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it

would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013) In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. There will be no impact on any of the amounts recognised in the financial statements as the Group does not have any defined benefit liabilities/assets.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(x) Parent entity financial information

The financial information for the parent entity, ASF Group Limited, disclosed in note 34 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.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

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:

	30 June 2012 \$	30 June 2011 \$
Financial assets		
Cash and cash equivalents	7,103,469	5,888,769
Trade and other receivables	755,678	447,193
Available-for-sale financial assets	2,296,505	634,168
Held-for-distribution investment	14,015,555	-
	24,171,207	6,970,130
Financial liabilities		
Trade and other payables	1,745,715	1,883,046
Other non-current liabilities	-	1,000,000
	1,745,715	2,883,046

(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 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 2012 HK\$ in A\$		30 June 2012 HK\$ in A\$	
	HK\$	A\$	HK\$	A\$
Cash	6,299,562	799,396	285,926	34,673
Trade and other receivables	424,798	53,905	47,836	5,801
Other non-current receivables	192,562	24,436	206,961	25,097
Trade and other payables	(3,650,218)	(463,202)	(720,834)	(87,412)
Total net exposure	3,266,704	414,535	(180,111)	(21,841)

Sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the HK\$ with all other variables held constant, the Group's post-tax profit for the year would have been \$46,059 higher/\$37,685 lower (2011 - \$2,427 lower/\$1,986 higher), mainly as a result of foreign exchange gains/losses on translation of HK\$ 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 exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale financial assets or at fair value through profit or loss. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group does not have borrowing and is therefore not exposed to interest rate risk.

(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:

	2012 \$	2011 \$
Cash at bank and short-term bank deposits		
AAA	7,103,469	5,888,769

(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 \$7,103,469 (2011 – \$5,888,769) 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 2012.

Contractual maturities of financial liabilities	Less than 1 year	Between 2-5 years	Total contractual cashflows	Carrying amount
	\$	\$	\$	\$
At 30 June 2012				
Non-derivatives				
Trade payables	1,745,715	-	1,745,715	1,745,715
	1,745,715	-	1,745,715	1,745,715
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

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

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:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) 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
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	Level 1 \$	Level 2 \$	Level 3 \$
At 30 June 2012			
Assets			
Available-for-sale financial assets	2,296,505	-	-
Held-for-distribution investment	-	-	14,015,555
	2,296,505	-	14,015,555
At 30 June 2011			
Assets			
Available-for-sale financial assets	-	-	634,168
	-	-	634,168

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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.

(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.

(iv) *Estimate of fair value of investments*

The Group lost controls over Kaili International Limited and ASF Resources Limited during the year and this triggered the revaluation of the remaining investment in them to fair value. The fair value of the remaining investment is estimated by referring to the cash consideration for the shares of them in a recent arm length transaction.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

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 2012 is as follows:

30 June 2012	Property marketing and services	Mineral and resources	Resources trading	Corporate services	Fund management and advisory services	Eliminations	Total
	\$	\$	\$	\$	\$	\$	\$
Segment revenue							
Sales	836,734	-	-	1,403,992	5,000	(592,377)	1,653,349
Other income	41	1,177	69	364,978	1,890	(25,625)	342,530
Total segment revenue	836,775	1,177	69	1,768,970	6,890	(618,002)	1,995,879
Gain on loss of control over subsidiaries	-		-	24,535,698	-		24,535,698
Share of loss from associate	-	(173,076)	-	-	-	-	(173,076)
Segment result	92,018	(106,791)	(8,306)	22,372,005	(284,313)	(895,267)	21,169,346
Segment assets	203,572	6,435,861	851,298	39,724,633	49,095	(16,086,745)	31,177,714
Segment liabilities	1,045,811	9,693,578	3,839,131	15,242,557	604,820	(28,447,488)	1,978,409
30 June 2011							
Segment revenue							
Sales	481,749	-	1,007,835	1,618,250	296,066	(1,886,066)	1,517,834
Other income	55	3,542	2,476	4,364,926	1,737	(1,697,108)	2,675,628
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
Segment liabilities	1,245,514	5,649,001	3,719,642	11,941,851	925,499	(20,497,812)	2,983,695

(c) Segment information – geographical segments

	Segment revenues from sales to external customers		Segment assets	
	2012 \$	2011 \$	2012 \$	2011 \$
Australia	1,124,069	4,193,007	41,853,365	19,167,573
China	1,121,657	455	5,411,094	86,123
Eliminations	(592,377)	-	(16,086,745)	(7,602,179)
TOTAL	1,653,349	4,193,462	31,177,714	11,651,517

(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 property marketing and services, resources trading, provision of corporate advisory services and fund management and advisory services.

5 REVENUE

	2012 \$	2011 \$
Revenue from continuing operations		
- Resources trading	-	1,007,835
- Commission revenue	836,734	481,749
- Corporate services	811,615	28,250
- Fund management and advisory service	5,000	-
	1,653,349	1,517,834

Major revenue includes corporate service fee received from ASF Resources Limited and commission income on marketing of property projects including Breakfast Point, Inmark and Hyde Park Residence.

6 OTHER INCOME

	2012 \$	2011 \$
Forfeiture of deposit (i)	-	1,500,000
Gain on incorporation of an associate (ii)	-	1,103,934
Interest received	341,563	66,957
Gain on loss of control over subsidiaries	24,535,698	-
Others	967	4,737
	24,878,228	2,675,628

(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.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

7 EXPENSES

	Note	2012 \$	2011 \$
Profit/(Loss) before income tax includes the following specific expenses:			
Cost of sales		564,855	1,996,811
Occupancy expenses		354,105	408,532
Impairment of goodwill	18	141,792	-
Impairment of available for sale financial assets	15	657,491	-
Depreciation and amortisation expense		38,489	28,845
Share-based payments		-	48,500
Loss on loss of significant influence over associate		-	405,534

8 INCOME TAX

	2012 \$	2011 \$
(a) Income tax expense		
Current tax	-	-
Deferred tax	219,214	-
	219,214	-
Deferred income tax expense included in income tax expense comprises:		
increase in deferred tax assets	(1,206,000)	-
Increase in deferred tax liabilities	1,425,214	-
	219,214	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit/(loss) before tax	21,388,560	(1,747,372)
Tax at the Australian tax rate of 30% (2011 – 30%)	6,416,568	(524,212)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment expenditure	11,968	-
Net gain on sale of 80% Kaili International	300,139	-
Write back of impairment loss on intercompany loans	(1,586,323)	-
Accounting gain on deconsolidation of ASFR	(3,672,208)	-
Previously unrecognised tax losses now recouped	(1,089,529)	-
Sundry items	(161,401)	-
Tax loss not recognised	-	524,212
Income tax expense	219,214	-

	2012 \$	2011 \$
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Tax losses	1,002,897	-
Unrealised foreign exchange losses	51,162	-
Accruals/provisions	151,941	-
Total deferred tax assets	1,206,000	-
Deferred tax assets expected to be recovered within 12 months	-	-
Deferred tax assets expected to be recovered after more than 12 months	1,206,000	-
	1,206,000	-
(d) Deferred tax liabilities		
The balance comprises temporary differences attributable to		
Investment in associates	(1,425,214)	-
Set off of deferred tax liabilities against deferred tax assets	1,206,000	-
Net deferred tax liabilities	(219,214)	-
Deferred tax liabilities expected to be settled within 12 months	-	-
Deferred tax liabilities expected to be settled after more than 12 months	(219,214)	-
	(219,214)	-

(e) 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

	2012 \$	2011 \$
Cash at bank and in hand	7,103,469	5,888,769
Total cash and cash equivalents	7,103,469	5,888,769

(a) Interest rate exposure

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

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2012 \$	2011 \$
Trade receivables	394,502	413,844
Other receivables	361,176	33,349
	755,678	447,193

(a) Impaired trade receivables

As at 30 June 2012, no trade receivables were impaired (2011: \$35,500).

(b) Past due but not impaired

As at 30 June 2012, no trade receivables were past due but not impaired (2011: \$268,149).

(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) 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 – OTHER CURRENT ASSETS

	2012 \$	2011 \$
Prepayments	74,647	66,664
Other assets	12,817	1,250
	87,464	67,914

12 NON-CURRENT ASSETS – OTHER RECEIVABLES

	2012 \$	2011 \$
Deposits	159,616	228,668
	159,616	228,668

13 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Plant & Equipment \$	Leasehold Improvements \$	Motor Vehicles \$	TOTAL \$
At 1 July 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
Year ended 30 June 2012				
Opening net book amount	41,881	20,622	53,200	115,703
Deconsolidation of subsidiary	(5,053)	-	-	(5,053)
Additions	55,079	-	-	55,079
Disposals	-	-	-	-
Depreciation charge	(20,448)	(7,567)	(10,640)	(38,655)
Exchange difference	547	407	-	954
Closing net book amount	72,006	13,462	42,560	128,028
At 30 June 2012				
Cost	135,354	135,116	54,545	325,015
Accumulated depreciation	(63,348)	(121,654)	(11,985)	(196,987)
Net book amount	72,006	13,462	42,560	128,028

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

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

	2012 \$	2011 \$
China Coal Resources Pty Ltd	1,223,413	1,278,794
ASF Resources Ltd (i)	3,213,663	-
Kaili International Resource Ltd (ii)	1,537,051	-
	5,974,127	1,278,794

(i) Upon completion of the subscription by Longluck Investment (Australia) Pty Ltd (the holding company being Beijing Guoli Energy Investment Co., Ltd) ("Guoli") of 45% interest in ASFR, the Company's interest in ASFR was accordingly diluted to 48.95%. According to the agreement with Guoli, not less than 80% of the investment will be distributed to the Company's shareholders in the subsequent 12 months and has been accounted for as an investment held for distribution (Note 16). The remaining interest of approximately 9.25% was accounted for as an investment in associate by using equity accounting method.

(ii) In June 2011, the Company entered into an Investment and Cooperation Agreement with Kaili Holdings Limited. Upon completion of the said agreement, 80% interest in the issued share capital of Kaili International Resource Ltd ("KIR") was transferred to Kaili Holdings Limited for a cash consideration of \$6 million. The remaining 20% interest in KIR was revalued and accounted for as an investment in associate by using equity accounting method.

(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)
	%	\$	\$	\$	\$
2012					
China Coal Resources Pty Ltd	45	765,824	39,182	-	(55,381)
ASF Resources Ltd	9.25	1,225,100	36,300	-	(75,226)
Kaili International Resource Ltd	20	201,388	202,085	-	(42,469)
2011					
China Coal Resources Pty Ltd	45	1,280,041	1,247	-	(30,297)

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

	2012 \$	2011 \$
Investment in MYTA	-	634,168
Investment in ActivEX Limited	421,505	-
Investment in Rey Resources Limited	1,875,000	-
	2,296,505	634,168

The Company has no participation or influence on the decision making process of Macau Multinational Travel Agency Limited ("MYTA"). The management is of the view that MYTA will not be able to provide any profit contribution to the Company and it is unlikely that the fair value of the investment can be recovered. The management therefore considered that it is appropriate to make a full impairment on the investment and an impairment loss of \$657,492 was recognised accordingly.

During the year, the Company subscribed for 24,794,398 shares in ActivEX Limited at 2.7 cents per share and 25,000,000 shares in Rey Resources Limited at \$0.12 per share. The investments were revalued to the fair value as at the balance sheet date.

Available-for-sale financial asset are denominated in Australian currency.

16 NON-CURRENT ASSETS – INVESTMENT HELD FOR DISTRIBUTION

	2012 \$	2011 \$
Investment held for distribution	14,015,555	-

Pursuant to the agreement with Guoli, the Company shall within 12 months after completion demerge ASFR by way of distribution of not less than 80% of its interest in ASFR to shareholders of the Company. The interest in ASFR to be distributed to shareholders was classified as an investment held for distribution as at 30 June 2012.

17 NON-CURRENT ASSETS – MINING TENEMENTS AND EXPLORATION

	2012 \$	2011 \$
Exploration and development costs	657,272	2,848,516

As at 30 June 2012, the Group and its related parties have interest in 10 tenements in Western Australia of which 8 of them are held by ASFR and 2 are held by ASF Kaili Resource Pty Ltd. Tenements E04/1428, E04/1433, E04/1435 and E04/1436 reached their seventh anniversary date in April 2012, E04/1512 reached its sixth anniversary in March 2012, E04/1670 and E04/1774 reached their second anniversary in October 2011 and E04/1887 also reached its second anniversary in April 2012. E04/1886 also reached its first anniversary in October 2012. The Tasmanian tenements EL15/2007 and EL55/2007 are now held by China Coal Resources Pty Ltd, a 25% owned associate of the Company. EL14/2007, which is held by ASF Metals Pty Ltd, a wholly owned subsidiary of the Company, reached its fifth anniversary date in July 2012 and its minimum expenditure requirement for the 2012/13 financial year is \$23,000. No penalties were imposed on any of the tenements in 2011/12 and no penalties are envisaged for the next year.

During the year, the Group acquired 5 tenements in Queensland and Victoria from Clean Global Energy Limited for \$500,000. The Group also has a new tenement, E04/2146, granted in June 2012.

There were no fines for the year 2011/12. Minimum expenditure requirements for the 2012/13 financial year for all the tenements of ASF Group including the 5 tenements in Queensland and Victoria are \$478,915.

Capitalised costs of exploration amounting to \$578,347 (2011: \$641,776) have been included in cash flows from investing activities in the cash flow statement.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill \$
At 1 July 2010	
Cost	2,599,990
Accumulated impairment	(2,599,990)
Net book amount	-
Year ended 30 June 2011	
Opening net book amount	-
Addition	141,792
Impairment	-
Closing net book amount	141,792
At 30 June 2011	
Cost	141,792
Accumulated impairment	-
Net book amount	141,792
Year ended 30 June 2012	
Opening net book amount	141,792
Addition	-
Impairment (i)	(141,792)
Closing net book amount	-
At 30 June 2012	
Cost	141,792
Accumulated impairment	(141,792)
Net book amount	-

(i) The goodwill from acquisition of ASF Balmoral Pty Ltd was fully impaired as the future cash flow is not able to support the carrying amount of goodwill.

19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2012 \$	2011 \$
Trade payables	45,789	526,938
Sundry payables and accrued expenses	1,699,926	1,356,108
	1,745,715	1,883,046

(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

	2012 \$	2011 \$
Employee benefits	13,480	35,660
	13,480	35,660

(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. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2012 \$	2011 \$
Leave obligations expected to be settled after 12 months	-	23,344

21 NON-CURRENT LIABILITIES – BORROWINGS

	2012 \$	2011 \$
Borrowings	-	1,000,000
	-	1,000,000

The borrowings represented 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. In February 2012, the Company exercised its option to buy back the 40% interest from Mr JianZhong Yang for \$1 million and the balance of the loan was reversed accordingly.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

22 CONTRIBUTED EQUITY

	Notes	2012 Shares	2011 Shares	2012 \$	2011 \$
Fully paid ordinary shares	(a), (b)	292,403,709	291,324,401	54,583,282	54,258,787

(a) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	\$
1 July 2010	Opening balance		291,324,401		54,258,787
			-		-
30 June 2011	Balance		291,324,401		54,258,787
27 April 2012	Share placement		10,000,000	0.20	1,880,000
March-June 2012	Shares bought back on-market and cancelled *		(8,920,692)		(1,555,505)
30 June 2012	Balance		292,403,709		54,583,282

* On 16 February 2012, the Company announced a share buy-back proposal pursuant to which the Company is able to purchase on the ASX market up to 10% of its issued shares within 12 months from 2 March 2012. Up to 30 June 2012, the Company has repurchased a total of 8,920,692 shares.

(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) 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.

23 RESERVES AND ACCUMULATED LOSSES**(a) Reserves**

	2012 \$	2011 \$
Share based payments	2,235,261	2,235,261
Foreign currency translation	64,186	(89,332)
Transactions with non-controlling interests	2,006,441	2,006,441
Revaluation reserve	(1,372,944)	-
	2,932,944	4,152,370

Movements:	2012 \$	2011 \$
Share-based payments		
Balance 1 July	2,235,261	2,186,761
Shares issued to consultant for service rendered	-	48,500
Balance 30 June	2,235,261	2,235,261
Foreign currency translation		
Balance 1 July	(89,332)	(554,872)
Recognition of foreign currency translation reserves of associate	-	405,534
Exchange differences on translation of foreign currency	153,518	60,006
Balance 30 June	64,186	(89,332)
Transactions with non-controlling interests		
Balance 1 July	2,006,441	-
Sale of shares in subsidiary to non-controlling interests	-	2,006,441
Balance 30 June	2,006,441	2,006,441
Available-for-sale financial assets reserve		
Balance 1 July	-	-
Change in the fair value of ActivEX Limited	(247,944)	-
Change in the fair value of Rey Resources Limited	(1,125,000)	-
Balance 30 June	(1,372,944)	-

(b) Accumulated losses

	2012 \$	2011 \$
Balance 1 July	(49,439,503)	(47,795,542)
Net profit/(loss) for the year	21,243,999	(1,643,961)
Balance 30 June	(28,195,504)	(49,439,503)

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

24 NON-CONTROLLING INTERESTS

	2012 \$	2011 \$
Interest in:		
Share capital	-	110,011
Retained earnings	(121,417)	(413,843)
	(121,417)	(303,832)

25 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2012 \$	2011 \$
Short-term employee benefits	930,041	993,606
Superannuation	37,665	36,915
	967,706	1,030,521

Details of key management personnel remuneration are included in the remuneration report on pages 12–15.

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

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.

2012	Notes	Balance at the start of the year	Received during the year	Other changes during the year	Balance at the end of the year
Name					
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

2012	Notes	Balance at the start of the year	Received during the year	Other changes during the year	Balance at the end of the year
Name					
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

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.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Other transactions with key management personnel

Rent paid on the operating lease of the Head Office of the Group of A\$187,374 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 which was expired on 31 March 2012. A lease agreement was accordingly signed with SPC Investments Pty Ltd on 30 March 2012 for the renewal of the office lease from 1 April 2012 to 31 March 2015 (Note 28(b)).

Commissions on property sales of A\$55,720 and HK\$329,478 (equivalent to A\$41,062) were paid to Sino Property Network Ltd, an entity in which the director, Ms Min Yang, has beneficial interest.

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

Consulting fees of A\$72,000 were paid to Balmoral Development Corporation Pty Ltd which is controlled by the spouse of Mr Alan Humphris.

Consulting fees of A\$146,369 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:

	2012 \$	2011 \$
Amounts recognised as expense		
Rent paid on operating lease	187,374	178,451
Commission, referral and marketing fees on property sales	96,782	224,077
Consulting fees	332,369	331,764
Legal fee	-	3,563
Acquisition of subsidiary	-	159,851
	616,525	897,706

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

	2012 \$	2011 \$
(a) PricewaterhouseCoopers		
Audit and other assurance services		
Audit and review of financial statements	136,341	112,150
Total remuneration for audit and other assurance services	136,341	112,150
Taxation services		
Tax compliance services	-	20,000
Total remuneration for taxation services	-	20,000
Total remuneration of PricewaterhouseCoopers	136,341	132,150
	2012 \$	2011 \$
(b) Non-PricewaterhouseCoopers audit firm		
Audit and other assurance services		
Audit and review of financial statements	12,463	-
Total remuneration for audit and other assurance services	12,463	-
Taxation services		
Tax compliance services	12,900	-
Tax consulting and advice	11,215	21,500
Total remuneration for taxation services	24,115	21,500
Total remuneration of non-PricewaterhouseCoopers audit firm	36,578	21,500
Total auditors' remuneration	172,919	153,650

27 CONTINGENT LIABILITIES

There were no contingent liabilities at balance sheet date.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

28 COMMITMENTS

(a) Capital commitments

The Company's fully owned subsidiaries, ASF Metals Pty Ltd, Austin Resources Pty Ltd, ASF Copper Pty Ltd, ASF Coal Pty Ltd, Victory Coal Pty Ltd, APEC Coal Pty Ltd and Basin Coal Pty Ltd hold exploration licenses for tenements in Western Australia, Tasmania, Queensland and Victoria the terms of which require minimum annual expenditure as a condition of these licences.

	2012 \$	2011 \$
Minimum expenditure requirements	853,568	435,978

(b) Non-cancellable operating leases

The Group leases its Sydney Head Office. The lease was signed on 31 March 2009 and is non-cancellable with a 3 years term with rent payable monthly in advance. The lease expired on 31 March 2012 and was renewed for another term of three years. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 5% per annum.

	2012 \$	2011 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	196,743	138,796
Later than one year but not later than five years	367,253	-
	563,996	138,796

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 31.

(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.

30 LIQUIDATION OF SUBSIDIARY

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:

	2012 \$	2011 \$
Loss on liquidation of subsidiaries	-	(5,812)
	-	(5,812)

31 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 *	
			2012	2011
APEC Coal Pty Ltd	Australia	Ordinary	100%	-
ASF Balmoral Pty Ltd	Australia	Ordinary	75%	75%
ASF Canning Basin Energy Pty Ltd	Australia	Ordinary	100%	-
ASF China Holdings Limited	BVI	Ordinary	100%	100%
ASF China Property Fund Pty Ltd	Australia	Ordinary	100%	100%
ASF Coal Pty Ltd	Australia	Ordinary	100%	-
ASF Copper Pty Ltd	Australia	Ordinary	100%	-
ASF Corporate Pty Ltd	Australia	Ordinary	100%	100%
ASF Energy Pty Ltd	Australia	Ordinary	100%	100%
ASF Gold and Copper Pty Ltd	Australia	Ordinary	100%	-
ASF (Hong Kong) Ltd	Hong Kong	Ordinary	100%	100%
ASF Infrastructure Group Pty Ltd	Australia	Ordinary	100%	100%
ASF Metals Pty Ltd	Australia	Ordinary	100%	100%
ASF Properties Pty Ltd **	Australia	Ordinary	100%	60%
ASF Resources Ltd ***	Australia	Ordinary	48.95%	89%
ASF Resources (WA) Pty Ltd	Australia	Ordinary	100%	-
ASF Technologies	Hong Kong	Ordinary	80%	-
Aushome China Pty Ltd	Australia	Ordinary	100%	100%
Austin Resources Pty Ltd	Australia	Ordinary	100%	100%
Basin Coal Pty Ltd	Australia	Ordinary	100%	-
Victory Coal Pty Ltd	Australia	Ordinary	100%	-

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

** Re-acquisition of 40% interests from Mr Jianzhong Yang for \$1 million on 20 February 2012.

*** Upon completion of the subscription by Longluck of 81,818,182 new shares in ASFR, the Company's interest in ASFR was diluted to 48.95%.

(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:

	2012 \$	2011 \$
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 2012.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

32 EVENTS OCCURRING AFTER THE REPORT PERIOD

In July 2012, CCGEC increased its stake in CCR by subscribing 800,000 new ordinary shares representing 20% of the enlarged issued capital of CCR for \$600,000 and, as a consequence, CCGEC is now holding 75% interest in CCR.

On 23 August 2012, the Company entered into a \$7 million loan facility agreement with Star Diamond Developments Limited repayable 90 days after the date of loan drawdown. Alternatively, the loan facility can be fully repaid by conversion of the loan into either one or a combination of the Company's shares or into new shares of the Company's subsidiary or investments held by such subsidiaries.

The second tranche subscription for 90 million new ordinary shares in the capital of Rey completed on 11 September 2012 and the Company is now holding an interest of approximately 22.7% in the issued share capital of Rey.

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.

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

	2012 \$	2011 \$
Profit/(Loss) for the year	21,243,999	(1,747,372)
Gain on loss of control over subsidiaries	(24,535,698)	-
Impairment of goodwill	141,792	-
Impairment of available for sale financial assets	657,491	-
Share-based payment expense	-	48,500
Gain on disposal of plant and equipment	-	(3,778)
Proceeds from forfeiture of non-refundable deposit	-	(1,500,000)
Depreciation and amortisation	38,489	28,845
Loss on loss of significant influence over associate	-	405,534
Gain on incorporation of an associate	-	(1,103,934)
Share of loss of associate	173,076	30,297
Loss on liquidation of subsidiaries	-	5,812
Income tax expenses	219,214	-
Change in operating assets and liabilities		
Decrease/(Increase) in inventories	-	1,009,978
Decrease/(Increase) in receivables	52,085	(376,026)
(Decrease)/Increase in payables	(1,214,489)	292,306
Net exchange differences	(45,855)	154,912
Net cash (outflow) from operating activities	(3,269,896)	(2,754,926)

34 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	30 June 2012 \$	30 June 2011 \$
Balance Sheet		
Current assets	9,146,148	6,876,754
Non-current assets	19,895,308	3,966,006
Total assets	29,041,456	10,842,760
Current liabilities	960,000	1,214,800
Non-current liabilities	219,214	1,000,000
Total liabilities	1,179,214	2,214,800
Net assets	27,862,242	8,627,960
Shareholders' equity		
Issued capital	54,583,282	54,258,787
Reserves	(237,709)	10,235
Share based payment reserve	2,235,261	2,235,261
Retained losses	(28,718,592)	(47,876,323)
Total equity	27,862,242	8,627,960
Profit for the year	19,157,731	3,053,187
Recognition of foreign currency translation reserves on loss of associate	-	405,534
Exchange differences on translation of foreign operations	153,518	(276,849)
Total comprehensive profit/(loss)	19,311,249	3,181,872

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

Notes To The Financial Statements – continued

FOR YEAR ENDED 30 JUNE 2012

35 EARNINGS PER SHARE

	2012 Cents	2011 Cents
Basic profit/(loss) per share	6.88	(0.53)
Diluted profit/(loss) per share	6.88	(0.53)

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:-

	2012 \$	2011 \$
Earnings (i)	21,243,999	(1,643,961)
Weighted average number of ordinary shares	308,848,130	308,696,375

(i) Earnings used in the calculation of basic and diluted earnings per share are net profit/(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.

36 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 2012, 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:

	2012 \$	2011 \$
Shares issued to consultants for services rendered	-	48,500
	-	48,500

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 61 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 2012 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
28 September 2012

Independent Auditor's Report



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 2012, 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 Limited (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.

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Independent Auditor's Report - continued



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 2012 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 15 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Jane Reilly
Partner

Sydney
28 September 2012

Shareholder Information

The shareholder information set out below was applicable as at 26 September 2012.

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	1,133
5,001 – 10,000	419
10,001 – 100,000	484
100,001 – and over	94
	<u>3,565</u>

There are 2,008 holders holding less than a marketable parcel based on the market price at 26 September 2012.

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	13.462
SUNTIMES INTERNATIONAL LTD	40,000,000	12.938
LI ZHEN	29,159,008	9.432
NGA FONG LAO	13,678,000	4.424
WELL SMART CAPITAL HOLDINGS (BVI 1557182)	12,000,000	3.882
RISING GAIN HOLDINGS LIMITED	10,890,000	3.522
JIANZHONG YANG *	10,000,000	3.235
BETTER FUTURE CAPITAL INVESTMENT LIMITED	10,000,000	3.235
GLORY RESOURCES INTERNATIONAL INVESTMENT LIMITED	10,000,000	3.235
RUITONG WANG	10,000,000	3.235
XING MAO LIMITED	8,640,515	2.795
WAI SANG HO	8,583,333	2.776
YING BIAO HUANG	7,200,000	2.329
STAND MORAL INTERNATIONAL LIMITED	7,141,909	2.310
FOREVER GRAND GROUP LIMITED	6,000,000	1.941
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,265,939	1.703
GOLD STAR INDUSTRY LIMITED	5,150,000	1.666
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,905,226	1.587
HUA LONG INVESTMENT HOLDING GROUP LIMITED	3,816,666	1.235
UNITED LIGHT INVESTMENTS LIMITED	2,945,409	0.953
	<u>246,996,005</u>	<u>79.895</u>

* under 12-month escrow from 30 April 2012

Shareholder Information – continued

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	13.461
SUNTIMES INTERNATIONAL LTD	40,000,000	12.937
LI ZHEN	29,159,008	9.431

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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