

1. Company details

Name of entity:	ASF Group Limited
ABN:	50 008 924 570
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	446.7% to	3,324
Loss from ordinary activities after tax attributable to the owners of ASF Group Limited	down	78.6% to	1,880
Loss for the half-year attributable to the owners of ASF Group Limited	down	78.6% to	1,880

Dividends

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

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to \$1,880,000 (31 December 2018: loss of \$8,793,000).

Refer to 'Review of operations' in the Directors' report for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.04	(7.46)

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous \$'000
Rey Resources Limited	16.34%	16.32%	(98)	(125)
ActivEx Limited	19.62%	19.62%	(67)	(54)
Key Petroleum Ltd	13.17%	15.71%	(40)	(14)
<i>Group's aggregate share of associates and joint venture entities' loss (where material)</i>				
Loss from ordinary activities before income tax			(205)	(193)

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

6. Attachments

Details of attachments (if any):

The Interim Report of ASF Group Limited for the half-year ended 31 December 2019 is attached.

7. Signed



Signed _____

Min Yang
Chairman

Date: 27 February 2020

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ASF Group Limited

ABN 50 008 924 570

Interim Report – Half-year Ended 31 December 2019

ASF Group Limited

ABN 50 008 924 570

Directors' Report

31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ASF Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

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

Principal activities

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

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$1,880,000 (31 December 2018: loss of \$8,793,000).

Financial results and commentary

For the six months ended 31 December 2019, ASF Group Limited (the "Company") and its controlled entities (referred to hereafter as the "Group") recorded a consolidated loss after tax and non-controlling interest of \$1,880,000, compared with last year of \$8,793,000, a decrease of approximately 79%.

Revenue from continuing operations for the period was \$3,324,000, an increase of approximately 447% compared with last year of \$608,000. The increase in revenue for the period was contributed by the additional service income from an associated company in Hong Kong, ASF Technologies Ltd ("ASFT"), during the period. Sales and marketing of Hope Island also provided revenue contribution to the Group. In addition to the Hope Island project, the Group also provides development management service for another property development project - 'the Au, Surfers Paradise' on the Gold Coast, which is expected to generate further revenue for the Group in the upcoming years.

In July 2019, the Company disposed of 13.57% interest in ASFT for \$1.357 million. The Company disposed of all its remaining 10% interest in ASFT in December 2019 for a further \$1 million. The Group will continue to seek opportunities to realise its investments at a fair price. On the other hand the Group will consider streamlining its operations so as to lower operating costs.

Financial position

The Company has a total of \$20 million in convertible loan facilities ("CN") granted by Star Diamond Developments Limited with maturity date of 31 October 2020. As of 31 December 2019, the Company has \$5 million remaining CN available for draw down.

Finance costs amounted to \$978,000 (2018: \$1,010,000) and represented principally interests on the CN.

During the financial period, the Company bought back 21,987 shares for a cost of \$2,000.

During the financial period ended on 31 December 2019, the Company received \$1.7 million full repayment of loan from ActivEx Limited. As of 31 December 2019, the Group maintained a strong financial position with a cash balance of \$4.8 million.

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Directors' Report

31 December 2019

Principal investments

ActivEx Limited ('AIV')

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

The Group holds 19.62% of the issued capital of AIV at a book value of \$1.3 million, compared with its market value of \$6.3 million as of 31 December 2019.

Rey Resources Limited ('REY')

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

As at 31 December 2019, the Group holds 16.34% of the issued capital of REY at a book value of \$9.5 million, compared with its market value of \$10.1 million as at the balance sheet date.

Key Petroleum Limited ('KEY')

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

The Group holds 13.17% of the issued capital of KEY with a market value of \$1.6 million as at 31 December 2019.

Kaili Resources Limited ('KLR')

KLR is a resources exploration company which holds tenements in QLD and Western Australia. The Group holds 2.2 million shares in KLR with a market value of \$79,000 as at 31 December 2019.

Civil & Mining Resources Pty Ltd ('CMR')

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

CMR has successfully completed 48 boreholes on their key project Dawson West, with a total of 10,940m drilled, geophysical logged selectively cored, sampled and analysed, which has confirmed export quality thermal coal resources with seams of mineable thickness expected to extend into unexplored areas. CMR has defined a JORC²⁰¹² code compliant resource, with a total of 852Mt (184Mt Indicated, 688Mt Inferred resource).

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

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

As at 31 December 2019, the company together with its subsidiary, ASF Resources Pty Limited, held 68.97% of the issued share capital of CMR.

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Directors' Report

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Property marketing and services

ASF Properties Pty Ltd ("ASFP"), a wholly-owned subsidiary of the Company, continues to provide international property services to investors in Australia and China. It represents an important strategic platform for investors to access the Australian real estate market. The service scope includes development management, property management, property advisory, and development syndication. The projects which ASFP provides services for are located in New South Wales and Queensland.

Fund management and advisory services

ASF Capital Pty Ltd ("ASF Capital") holds an Australian Financial Services Licence and is the fund management and advisory arm of the Group's core strategy to facilitate two-way capital flows between Australia and Asia.

ASF Capital assists select businesses both on shore and off on matters such as public listing, financial advisory, entry and/or expansion in Australia, and visa migration related areas. Also, ASF Capital is able to form any number of tailor-made wholesale funds to capture a diverse array of investment opportunities.

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

One of the funds is a Venture Fund which seeks to make investments into Australian early stage venture technologies and platforms offered by qualified Venture Capital Limited Partnerships in strategic collaboration with an Australian venture capital firm. The strategic collaboration will broaden opportunities in funds offerings, funds management and marketing reach.

Castle green, London

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

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

3D Bio-Tissues, UK

On 13 August 2019, the Company announced that it has invested into an exciting new biotech opportunity being commercialised from intellectual property developed by Prof. Che Connon from Newcastle University, UK. The Company invested into a new company called 3D Bio-Tissues Ltd to conduct the in Vivo Phases & animal trials for 3D printed constructs for corneas for human cornea transplants. The Company will over time take its investment up to 49% equity interest in the project.

UKIIC, UK

In November 2019, the Company through its wholly owned UK subsidiary BSF International Ltd launched the UK International Innovation Centre (**UKIIC**) to join the Cocoon Global in the City of London to develop an incubation Centre for development of early stage technology and life science businesses.

Significant changes in state of affairs

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

Matters subsequent to the end of the financial half-year

No other matters or circumstances that have arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ASF Group Limited

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Directors' Report

31 December 2019

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3) (a) of the *Corporations Act 2001*.

On behalf of the directors



Director:

Ms Min Yang - Chairman

Dated this 27th day of February 2020

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Auditor's Independence Declaration

To the Directors of ASF Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review ASF Group Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 27 February 2020

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ASF Group Limited

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General information

The financial statements are those of ASF Group Limited as a consolidated entity consisting of ASF Group Limited (the company) and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

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

Suite 2, 3B Macquarie Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2020. The directors have the power to amend and reissue the financial statements.

ASF Group Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2019

	Note	Consolidated	
		31 Dec 2019 000's \$	31 Dec 2018 000's \$
Revenue	3	3,324	608
Finance income	3	171	200
Other income	3	40	-
Expenses			
Share of losses of associates	4	(205)	(193)
Loss on disposal of investment	4	(750)	-
Commission and fee expenses		(226)	(238)
Consultancy expenses		(2,188)	(957)
Marketing expenses		(78)	(150)
Employee benefits expense		(941)	(1,186)
Depreciation and amortisation expense	4	(499)	(59)
Impairment of non-financial assets write-back/(recognised)	4	703	(2,909)
Impairment loss of financial assets	4	-	(1,446)
Legal and professional fees		(142)	(635)
Corporate and administration expenses		(763)	(615)
Occupancy expenses		(107)	(674)
Finance costs	4	(978)	(1,010)
Loss before income tax expense		(2,639)	(9,264)
Income tax expense		-	-
Loss after income tax expense for the half-year		(2,639)	(9,264)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(83)	(68)
Other comprehensive income for the year, net of tax		(83)	(68)
Total comprehensive income for the half-year		(2,722)	(9,332)
Loss for the half-year attributable to:			
Non-controlling interest		(759)	(471)
Owners of ASF Group Limited		(1,880)	(8,793)
		(2,639)	(9,264)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(759)	(471)
Owners of ASF Group Limited		(1,963)	(8,861)
		(2,722)	(9,332)
		Cents	Cents
Basic (loss)/earnings per share	13	(0.24)	(1.30)
Diluted (loss)/earnings per share	13	(0.24)	(1.30)

The accompanying notes form part of these financial statements.

ASF Group Limited

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Statement of Financial Position

As At 31 December 2019

	Consolidated	
	31 Dec 2019	30 Jun 2019
	000's	000's
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,840	4,929
Trade and other receivables	5 2,257	3,772
Other	32	345
TOTAL CURRENT ASSETS	7,129	9,046
NON-CURRENT ASSETS		
Other receivables	5 118	231
Investments accounted for using the equity method	6 12,449	15,170
Financial assets at fair value through profit or loss	230	79
Property, plant and equipment	198	234
Right of use assets	8 1,881	-
Intangibles	3,177	3,030
TOTAL NON-CURRENT ASSETS	18,053	18,744
TOTAL ASSETS	25,182	27,790
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	412	2,867
Borrowings	7 17,401	105
Employee benefits	117	112
Lease liabilities	8 899	-
TOTAL CURRENT LIABILITIES	18,829	3,084
NON-CURRENT LIABILITIES		
Borrowings	7 -	16,645
Lease liabilities	8 1,016	-
TOTAL NON-CURRENT LIABILITIES	1,016	16,645
TOTAL LIABILITIES	19,845	19,729
NET ASSETS	5,337	8,061
EQUITY		
Issued capital	9 122,688	122,690
Reserves	(2,494)	(2,369)
Accumulated losses	(111,959)	(110,079)
Equity attributable to the owners of ASF Group Limited	8,235	10,242
Non-controlling interest	(2,898)	(2,181)
TOTAL EQUITY	5,337	8,061

The accompanying notes form part of these financial statements.

ASF Group Limited

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Statement of Changes in Equity For the Half-Year Ended 31 December 2019

	Issued capital 000's \$	Reserves 000's \$	Consolidated		Total equity 000's \$
			Accumulated losses 000's \$	Non-control ling interest 000's \$	
Balance at 1 July 2018	113,463	(777)	(107,385)	(1,759)	3,542
Loss after income tax expenses for the half-year	-	-	(8,793)	(471)	(9,264)
Other comprehensive income of the half-year, net of tax	-	(68)	-	-	(68)
Total comprehensive income for the half-year	-	(68)	(8,793)	(471)	(9,332)
<i>Transactions with owners in their capacity as owners</i>					
Transactions with shareholders	-	2,461	-	1,638	4,099
Share buy-back	(36)	-	-	-	(36)
Balance at 31 December 2018	113,427	1,616	(116,178)	(592)	(1,727)
Balance at 1 July 2019	122,690	(2,369)	(110,079)	(2,181)	8,061
Loss after income tax expense for the year	-	-	(1,880)	(759)	(2,639)
Other comprehensive income for the year, net of tax	-	(83)	-	-	(83)
Total comprehensive income for the year	-	(83)	(1,880)	(759)	(2,722)
<i>Transactions with owners in their capacity as owners:</i>					
Disposal of subsidiary with NCI	-	(42)	-	42	-
Share buy-back	(2)	-	-	-	(2)
Balance at 31 December 2019	122,688	(2,494)	(111,959)	(2,898)	5,337

The accompanying notes form part of these financial statements.

ASF Group Limited

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Statement of Cash Flows

For the Half-Year Ended 31 December 2019

	Consolidated	
	31 Dec 2019	31 Dec 2018
	000's	000's
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (inclusive of GST)	3,576	403
Payments to suppliers and employees (inclusive of GST)	(4,518)	(4,166)
Interest received	242	9
Interest and other finance costs paid	(219)	(301)
Net cash used in operating activities	<u>(919)</u>	<u>(4,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	-	(139)
Payments for intangibles	(147)	(197)
Investment in financial assets at fair value	(151)	-
Proceeds from disposal of associates and investment at FVTPL	2,357	-
Investment in equity accounted investments	(30)	-
Net cash provided by/(used in) investing activities	<u>2,029</u>	<u>(336)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans to associates	(145)	(1,254)
Repayment of loans from associates	1,475	-
Proceeds from borrowings	600	4,000
Repayment of borrowings	(2,800)	-
Payment of principal portion of leases	(457)	-
Proceeds from issue of capital of a subsidiary	-	4,000
Payments for share buy-backs	(2)	(36)
Net cash (used in)/provided by financing activities	<u>(1,329)</u>	<u>6,710</u>
Net (decrease)/increase in cash and cash equivalents	(219)	2,319
Cash and cash equivalents at the beginning of the financial half-year	4,929	4,585
Effects of exchange rate changes on cash and cash equivalents	130	(63)
Cash and cash equivalents at the end of the financial half-year	<u>4,840</u>	<u>6,841</u>

The accompanying notes form part of these financial statements.

ASF Group Limited

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

1 Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Continued operations and future funding

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the half year ended 31 December 2019, the Group recorded a loss after income tax and non-controlling interest of \$1,880,000 (2018: \$8,793,000); showed net cash inflow from investing activities of \$2,029,000 (2018: net cash outflow of \$336,000) and net cash outflows from operating activities of \$919,000 (2018: \$4,055,000) and, as of that date, the Group's current liabilities exceeded its current assets by \$11,700,000. The net assets of the Group as of 31 December 2019 were \$5,337,000 (30 June 2019: \$8,061,000).

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

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

- The Group manages cash diligently to meet immediate business needs. The Group has a long and proven track record in raising capital via share placements, rights issues and convertible notes over the past 12 years. As at the date of this report, the Group has \$5 million in a convertible note facility available for draw down;
- The Group expects convertible notes amounting to \$17,401,000 to be converted to equity or extended before their expiry. No cash outlay will be required;
- The Group plans to undertake further capital raising or realisation of assets during the next 12 months as needed;
- The Group holds the ability to reduce operating costs as needed and appropriate; and
- Cash flow forecast, which incorporate expected additional capital injections, for the 12 months from the date of issue of these financial statements project that the Group will be able to operate as usual.

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

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

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2019. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary.

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

(b) New Accounting Standards and Interpretations adopted

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year end 31 December 2019. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 16 – Leases ('AASB 16')

Effect of adoption of AASB 16 Leases

The transition provisions in AASB 16 permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors; or recognise the cumulative effect of retrospective application (subject to certain practical expedients in AASB 16) to lease contracts existing on the date of initial application.

The Group has adopted the modified retrospective method approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 Leases.

The Group has adopted the following incremental borrowing rates for discounting depending on the lease term and the nature of the underlying asset.

Commercial building lease	2-6 years	3.2% - 3.5%
Other lease	2-5 years	10%

In transitioning the entity has applied the following practical expedients in AASB 16:

- Initial direct costs have been excluded from measurement of the right-of-use assets at the date of initial application; and
- For leases with a remaining term of less than one year at the adoption date, the Group choose to apply the short-term lease exemption in AASB 16 and expense lease payments.

The discounted operating lease commitments as disclosed in the financial statements of 30 June 2019 vary from the lease liability recognised in the statement of financial position due to the below reason(s):

	1 July 2019 000's \$
New lease liabilities recognised	2,344
Uplift for discount rates applied	141
Recognition exemption for short-term leases	92
Others	209
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statements	<u>2,786</u>

ASF Group Limited

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

Policy applicable prior to 1 July 2019

Leases

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

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

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

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

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

Policy applicable from 1 July 2019

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as separate items in the statement of financial position.

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Other amending accounting standards and interpretations

Other relevant accounting standards and amendments and interpretation effective for the current reporting period include:

- AASB 2018-1 Interpretation 23 Uncertainty over income tax treatments

The adoption of the amendment and interpretation have not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

2 Operating segments

Identification of reportable segments

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

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

3 Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	000's	000's
	\$	\$
<i>Sales revenue</i>		
Commission revenue	96	238
Corporate services	3,228	172
Marketing fees	-	93
Rental income	-	105
	3,324	608
<i>Finance income</i>		
Interest income	171	200
<i>Other income</i>		
Sundry income	40	

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

4 Expenses

Loss before income tax includes the following specific expenses:

(Gain)/loss on disposal of investment

ASF Technology Ltd

GCPM Pty Ltd

Total loss on disposal of investment

Impairment

Impairment of investment in associates (write-back)/recognised

Impairment of financial assets

Share of loss of associates

Rey Resources Limited

ActiveEx Limited

Key Petroleum Ltd

Total share of loss of associates

Finance costs

Interest and finance charges paid/payable

Other finance charge

Depreciation and amortisation

Leasehold improvements

Plant and equipment

Motor vehicles

Total depreciation

Amortisation - right of use assets

Total depreciation and amortisation

	Consolidated	
	31 Dec 2019	31 Dec 2018
	000's	000's
	\$	\$
	854	-
	(104)	-
	<u>750</u>	<u>-</u>
	(703)	2,909
	-	1,446
	<u>98</u>	<u>125</u>
	67	54
	40	14
	<u>205</u>	<u>193</u>
	978	916
	-	94
	<u>978</u>	<u>1,010</u>
	16	38
	19	18
	2	3
	<u>37</u>	<u>59</u>
	462	-
	<u>499</u>	<u>59</u>
	94	191
	56	171
	2,107	3,410
	<u>2,257</u>	<u>3,772</u>
	118	231

5 Trade and other receivables

CURRENT

Trade receivables

Other receivables

Loan receivable from associate

NON-CURRENT

Deposits

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

Loan Receivable

On 14 November 2017, the Group entered into a loan facility agreement with its associate, ActiveEX Limited (ASX: AIV). Pursuant to the agreement the Group will provide up to \$1 million in standby funding for AIV's exploration activities and general working capital. Interest will accrue at 12% per annum. The loan has been fully repaid during the half-year.

On 12 October 2017, the Group entered into a loan facility agreement with its associate, Rey Resources Limited (ASX: REY). Pursuant to the agreement the Group will provide up to \$1 million in standby funding for REY's exploration activities and general working capital for a term of one year. Interest will accrue at 12% per annum. The loan facility was subsequently increased to \$3.8 million and the maturity date extended to 31 December 2019. In April 2019, REY repaid \$2.5 million which remains available for re-draw before maturity. On 31 December 2019, the parties agreed to reduce the loan facility amount from \$3.8 million to \$2 million and to extend the maturity date from 31 December 2019 to 31 March 2020.

6 Investments accounted for using the equity method

	Consolidated	
	31 Dec 2019	30 Jun 2019
	000's	000's
	\$	\$
Rey Resources Limited (ASX: REY)	9,523	9,622
ActivEx Limited (ASX: AIV)	1,348	1,414
Key Petroleum Ltd (ASX: KEY)	1,578	885
ASF Technologies Ltd	-	3,249
	<u>12,449</u>	<u>15,170</u>

In July 2019, the Company disposed of 13.57% interest in ASFT for \$1.357 million. The Company disposed of all its remaining 10% interest in ASFT In December 2019 for a further \$1 million.

7 Borrowings

CURRENT

Convertible notes payable	17,401	-
Other loans	-	105
	<u>17,401</u>	<u>105</u>

NON-CURRENT

Convertible notes payable	-	16,645
Total borrowings	<u>17,401</u>	<u>16,750</u>

Convertible notes

The company is party to the following convertible notes:

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

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

8 Leases

	Consolidated 31 Dec 2019 000's \$
<i>Right of use assets</i>	
Opening balance at 1 July 2019	2,343
Amortisation	(462)
Closing balance at 31 December 2019	1,881
<i>Lease liabilities</i>	
Current	899
Non-current	1,016
Total lease liabilities	<u>1,915</u>

9 Issued capital

	31 Dec 2019		30 Jun 2019	
	Shares	000's	Shares	000's
Ordinary shares - fully paid	<u>792,925,065</u>	<u>122,688</u>	792,947,052	122,690

Movements in ordinary share capital

Details	Date	Shares	Average buy-back price	000's
Balance	1 Jul 2019	792,947,052		122,690
Share buy-back	1 Jul 2019 to 31 Dec 2019	(21,987)	\$0.075	(2)
Balance	31 Dec 2019	<u>792,925,065</u>		<u>122,688</u>

Share buy-back

During the half-year, the Company bought back 21,987 shares at a cost of \$2,000. The buy-back program is extended to 4 June 2020 and it is the company's present intention to extend the program for another year.

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

10 Dividends

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

11 Interests in subsidiaries

In addition to interests in subsidiaries disclosed in the financial report as at 30 June 2019, following interest in subsidiaries were changed during the half year;

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 31 December 2019	Percentage Owned (%)* 30 June 2019
GCPM Pty Ltd	Australia	-	51

On 1 July 2019, the Group disposed of its interest in GCPM Pty Ltd for a nominal value of \$1.

12 Fair value measurement

The following tables detail the Group's assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 000's \$	Level 2 000's \$	Level 3 000's \$	Total 000's \$
Consolidated - 31 Dec 2019				
<i>Assets</i>				
Investments at fair value through profit or loss	79	-	151	230
Total assets	79	-	151	230
Consolidated - 30 Jun 2019				
<i>Assets</i>				
Investments at fair value through profit or loss	79	-	-	79
Total assets	79	-	-	79

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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Notes to the Financial Statements For the Half-Year Ended 31 December 2019

13 Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	000's	000's
	\$	\$
Loss after income tax	(2,639)	(9,264)
Non controlling interest	759	471
Loss after income tax attributable to the owners of ASF Group Limited	(1,880)	(8,793)
	31 Dec 2019	31 Dec 2018
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	792,940,501	677,277,625
Weighted average number of ordinary shares used in calculating diluted earnings per share	792,940,501	677,277,625
	Cents	Cents
Basic earnings per share	(0.24)	(1.30)
Diluted earnings per share	(0.24)	(1.30)

14 Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



.....
Min Yang
Chairman

Dated 27 February 2020

Independent Auditor's Review Report

To the Members of ASF Group Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the financial report of ASF Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of ASF Group Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 134 Interim Financial Reporting.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group recorded a loss after income tax of \$2,639,000; showed net cash outflows from operating activities of \$919,000 during the half-year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by \$11,700,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor or the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of ASF Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

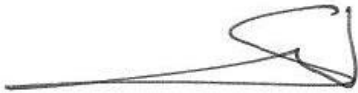
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



N P Smietana
Partner – Audit & Assurance

Sydney, 27 February 2020