



ASF Group Limited
ACN 008 924 570

**Notice of 2016 Annual General Meeting
and Explanatory Memorandum**

Date of meeting: 25 November 2016

Time of meeting: 11:00 am (AEDT)

Place of meeting: Suite 18B, Opera Quays, 7 Macquarie Street, Sydney NSW 2000

***This is an important document.
If you are in any doubt as to how to act, you should consult your financial, legal or other
professional adviser.***

ASF GROUP LIMITED
ACN 008 924 570

Important Notices

General

This Notice of Meeting is dated 25 October 2016.

This document is important. The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. You should read it in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice of Meeting.

If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

Defined terms

Capitalised terms in the Notice of Meeting are defined either in the Glossary section or where the relevant term is first used.

ASX

A final copy of this Notice of Meeting has been lodged the ASX. Neither the ASX nor any of their respective officers takes any responsibility for the contents of this document.

Forward looking statements

Some of the statements appearing in this document may be in the nature of forward looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and similar expressions are intended to identify forward-looking statements. Indications of and guidance on, future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties many of which are outside the Company's control. Those risks and uncertainties include factors and risks specific to the Company such as (without limitation) the impact of inflation on operating, exploration and development costs, fluctuations in exchange rates, operational risks, risks associated with the exploration or developmental stage of projects, risks associated with the exploitation stage of projects, the imprecise nature of resource and reserve statements, access to and costs of infrastructure and transport, taxation and regulatory issues, changes in law and accounting policies, the fluctuating industry and commodity cycles, any reliance on third parties, any imposition of significant obligations under environmental regulations, the impact on competitiveness of the business resulting from carbon trading and carbon tax imposed by governments, any climate change impact (including regarding water allocation), any increased competition, any loss of key long term contracts, the adverse impact of wars, terrorism, political, economic or natural disasters, any inability to enforce legal rights, any native title claims, the ability to service or obtain funding, further exploration or new projects, loss of key personnel and delays in obtaining or inability to obtain any necessary government approvals, third party consents or exploration licences, impact of changes to interest rates, effect of new technologies, changes to government fiscal, monetary and regulatory policies.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of the Company nor any of their respective officers or any person named in this document or involved in the preparation of this document make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document.

No financial product advice

This document does not constitute financial product or investment advice nor a recommendation in respect of the Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. The Company is not licensed to provide financial product advice.

Before deciding how to vote or act, Shareholders and others should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

No internet site is part of this document

No internet site is part of this Notice of Meeting. The Company maintains an internet site (<http://www.asfgroupltd.com>). Any references in this document to this internet site is a textual reference only and does not form part of this document.

Notice of Annual General Meeting

Notice is given that the annual general meeting of the shareholders of the Company will be held at Suite 18B, Opera Quays, 7 Macquarie Street, Sydney NSW 2000 on 25 November 2016 commencing at 11:00 am (AEDT).

Capitalised terms in the Notice of Meeting are defined either in the Glossary section or where the relevant term is first used.

Agenda

Financial statements and reports

To table the following statements and reports and provide Shareholders with the opportunity to raise any issues or ask questions generally of the Directors concerning those financial statements or the business operations of the Company:

- (a) the financial report of the Company and of the consolidated entities for the year ended 30 June 2016;
- (b) the Directors' Report for the year ended 30 June 2016; and
- (c) the independent auditor's report thereon.

Note: There is no requirement for Shareholders to approve these reports.

Resolution 1: Adoption of the Remuneration Report

To consider the Remuneration Report as it appears in the Directors' Report which is contained in the Annual Report of the Company for the financial year ended 30 June 2016 and, if thought fit, pass the following Resolution as an **ordinary resolution** in accordance with section 250R(2) of the Corporations Act:

'That the Remuneration Report for the year ended 30 June 2016, submitted as part of the Directors' Report for the year ended 30 June 2016, be adopted pursuant to sections 250R(2) and 250R(3) of the Corporations Act 2001 (Cth).'

Note: The vote on this Resolution 1 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

According to s 250R(4) of the Corporations Act, a vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of either a member of the key management personnel (KMP) details of whose remuneration are included in the remuneration report or a closely related party of such KMP.

However, pursuant to s 250R(5) of the Corporations Act, a KMP or its closely related party may cast a vote on this Resolution if:

- *the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and*
- *the vote is not cast on behalf of a KMP or its closely related party.*

Resolution 2: Re-election of a Director, Mr Yong Jiang

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

'That Mr Yong Jiang, a Director retiring by rotation in accordance with article 79.2 of the Constitution, being eligible for re-election and having signified his candidature for the office, be re-elected as a Director.'

In addition, to note:

'That Mr Xin Zhang, a Director retiring by rotation in accordance with article 79.2 of the Constitution, is not seeking re-election.'

Resolution 3: Approval of conversion right of 2,500,000 convertible notes

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 7.1 and all other purposes, Shareholders approve the conversion right of 2,500,000 convertible notes issued to various sophisticated investors, on the terms and conditions set out in the Explanatory Memorandum accompanying, and forming part of, this Notice of Meeting."

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by Phoenix Honour Limited, Sure Talent Global Limited and any associates of the aforementioned persons.

However, the Company need not disregard a vote if it is cast by a

- (i) person as proxy for a person who is entitled to vote in accordance with the directions on the voting form; or*
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the voting form to vote as the proxy decides.*

Resolution 4: Approval of additional capacity to issue Shares under ASX Listing Rule 7.1A

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, for the purpose of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the Company having the additional capacity to issue securities under Listing Rule 7.1A on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company need not disregard a vote:

- (i) person as proxy for a person who is entitled to vote in accordance with the directions on the voting form; or*
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the voting form to vote as the proxy decides.*

PROXY AND VOTING INSTRUCTIONS

1.1 Voting in person

- (1) A Shareholder that is an individual may attend and vote in person at the meeting. If you wish to attend the meeting, please bring the enclosed Proxy Form to the meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the meeting to facilitate this registration process.
- (2) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with the requirements of section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission, together with any authority under which it is signed. A form of the certificate may be obtained from the Company's Share Registry or at www.boardroomlimited.com.au.

1.2 Voting by proxy

- (1) A Shareholder who is entitled to vote at the Meeting may appoint one proxy if the Shareholder is only entitled to one vote and one or two proxies if the Shareholder is entitled to more than one vote. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise half of the votes, in which case any fraction of votes will be disregarded. A proxy need not be a Shareholder of the Company and a Shareholder may appoint an individual or a body corporate to act as its proxy.
- (2) In order for an appointment of proxy to be effective, the Proxy Form (and the power of attorney or other authority, if any, under which the Proxy Form is signed or a certified copy the power of attorney or other authority) must be lodged at the Company's Share Registry: Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia or by facsimile +612 9290 9655 no later than 48 hours before the time for holding the meeting.
- (3) The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.
- (4) A Proxy Form accompanies this Notice of Meeting.

1.3 Voting Intentions

- (1) If you wish to direct your proxy how to vote on any or all of the Resolutions, place a mark "X" in the "For", "Against" or "Abstain" box. If you do not direct your proxy how to vote, your proxy may vote as he, she or it sees fit. If you mark the abstain box, you are directing your proxy not to vote on your behalf in respect of that Resolution and your votes will not be included on a show of hands or on a poll.
- (2) Please refer to the Proxy Form that accompanies this Notice of Meeting for instructions on its completion and lodgement.

- (3) The Chairperson of the Company intends to vote proxies in favour of all the Resolutions contained in the Notice of Annual General Meeting unless directed otherwise (subject to any relevant voting exclusions and the Chairperson's directions below).

1.4 Directions to Chairperson of Meeting

- (1) If the Chairperson of the Meeting is appointed, or is taken to be appointed, as a proxy, the shareholder can direct the Chairperson to vote "For", "Against" or "Abstain" from voting on the Resolutions by marking the appropriate box on the Proxy Form.
- (2) However, if the Chairperson of the meeting is a proxy and the relevant Shareholder does not provide a voting direction in respect of the Resolutions on the Proxy Form, the relevant Shareholder's proxy will be taken as a direction to the Chairperson of the meeting to vote in accordance with the Chairperson's stated voting intentions, which is to vote **in favour of** the Resolutions. Please note that you will be taken to authorise the Chairperson to exercise the proxy even if the relevant resolution is connected directly or indirectly with the remuneration of a member of the KMP or the Chairperson has an interest in the outcome of the Resolution.
- (3) If you appoint the Chairperson of the meeting as your proxy and you want to direct the votes in respect of your Shares on the Resolutions, you should direct the Chairperson how to vote by marking the relevant box ("For", "Against" or "Abstain") in the Proxy Form.

1.5 Resolution 1 – Remuneration Report Undirected Proxies

If:

- (1) you appoint a director of the Company (other than the Chairperson) or other KMP or any of their closely related parties as your proxy; and
- (2) you do not direct the proxy how to vote on Resolution 1: Adoption of Remuneration Report,

your proxy will not be able to exercise your vote on your behalf on that Resolution.

1.6 Voting Entitlement

For the purposes of determining voting entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7:00 pm (Sydney time) on 23 November 2016 on the Company's register of members. Transactions registered after that time will, therefore, be disregarded in determining entitlements to attend and vote at the Meeting.

Dated: 25 October 2016

By order of the Board



William Kuan
Company secretary

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting and should be read in conjunction with, and forms part of, the Notice of Meeting to which it accompanies.

1. Introduction

- 1.1 This Explanatory Memorandum accompanies and forms part of the Notice of Meeting of ASF Group Limited and it is intended to provide Shareholders with information to assist them in assessing the merits of the Resolutions contained in the business to be conducted at the Meeting to be held on 25 November 2016.
- 1.2 A glossary of defined terms used in the Notice of Meeting and this Explanatory Memorandum is set out at the end of this Explanatory Memorandum.
- 1.3 The Directors recommend that Shareholders read the Explanatory Memorandum before making any decisions in relation to the Resolutions set out in the Notice of Meeting.
- 1.4 If any Shareholder is in doubt as to how they should vote, they should seek advice from their legal, financial or other professional adviser prior to voting.

2. Business of the Meeting – summary

- 2.1 The business of the Annual General Meeting is to:
 - table the financial statements and reports;
 - consider and, if thought fit, to pass the following Resolutions (Note: except for Resolution 4 which is a special resolution, all other Resolutions are ordinary resolutions):
 - Resolution 1 – to adopt the Remuneration Report for the year ended 30 June 2016;
 - Resolution 2 – to re-elect Mr Yong Jiang as a Director;
NOTE – the retirement of Mr Xin Zhang, as director of the Company
 - Resolution 3 – to approve the conversion right of 2,500,000 convertible notes;
 - Resolution 4 – to approve the additional capacity to issue Shares under ASX Listing Rule 7.1A.

3. Business: Tabling of the financial statements and reports

- 3.1 Section 317 of the Corporations Act requires the Directors to lay before the Meeting the Company's Financial Statements, Directors' Report and Auditor's Report for the year ended 30 June 2016.
- 3.2 There is no requirement that Shareholders approve the Financial Statements and associated Reports and no Resolution in relation to this matter will be put to the Meeting.

- 3.3 The Company's 2016 Annual Report contains the Financial Statements and the Directors' and Auditor's Reports and has been sent to Shareholders who elected to receive a printed copy. Shareholders can access the 2016 Annual Report on the Company's website at www.asfgroupltd.com.
- 3.4 Shareholders will be provided with a reasonable opportunity at the Meeting to ask questions or make comments on the Financial Statements and the Reports and on the Company's management and business generally. Representatives of the Company's Auditor, Grant Thornton, will be attending the Meeting. Shareholders will be given a reasonable opportunity to ask the Auditor relevant questions including those relating to the conduct of the audit, the preparation and content of the Auditor's report, the accounting standards adopted by the Company and the independence of the Auditor.
- 3.5 If Shareholders would like to submit a written question to the Auditor, please send your question to the registered office of the Company or fax it to (612) 9251 9066 for the attention of the Company Secretary. Written questions must relate to the content of the Auditor's Report to be considered at the Meeting or the conduct of the audit. All questions must be received by the Company no later than five Business Days before the day on which the Meeting is held.

4. Resolution 1: Adoption of the Remuneration Report

- 4.1 The Remuneration Report is included in the Directors' Report and set out in the Company's 2016 Annual Report. Pursuant to section 250R(2) of the Corporations Act, the Company is required to put a Resolution that the Remuneration Report be adopted to a vote of Shareholders at the Meeting. However, Shareholders should note that, pursuant to section 250R(3) of the Corporations Act, the vote on the Remuneration Report is advisory only and the outcome of the vote does not bind the Directors or the Company. The Remuneration Report sets out the Company's remuneration policy and reports on the remuneration arrangements in place for Directors and key executives of the Company. The Directors make no recommendation on this Resolution.
- 4.2 Shareholders will be provided with a reasonable opportunity at the Meeting to ask questions or make comments on the Remuneration Report.
- 4.3 As a result of the amendment to the Corporations Act which came into effect on 1 July 2011, a 'two-strikes and re-election' process has been introduced as follow:
- (1) where the Company's Remuneration Report receives a 'no' vote of 25% or more, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for inaction; and
 - (2) where the Company's subsequent Remuneration Report receives a 'no' vote of 25% or more, a Resolution must be put ("spill Resolution") to Shareholders at the same Meeting.
 - (3) If the spill Resolution passes with 50% or more of the eligible votes cast, another meeting of the Company's Shareholders ("spill meeting") must be held within 90 days. At the spill meeting, all Directors (other than the Managing Director) who were in office when the Directors' Report was considered at the most recent Meeting will be required to stand for re-election.
- 4.4 At the Company's annual general meeting held on 27 November 2015, the Company received unanimous approval on the adoption of its remuneration report set out in the 2015 annual report.

5. Resolution 2: Re-election of Director

- 5.1 Rule 79.2 of the Constitution provides that, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of 3, then the number nearest to but not more than one-third of the Directors) must retire from office.
- 5.2 The Directors retiring by rotation are those who have been longest in office since their election. If 2 or more Directors were elected or appointed on the same day, they are required to agree among themselves or determine by lot which of them must retire. The Constitution ensures that no Director is able to remain in office for longer than 3 years without facing re-election. A Managing Director appointed under rule 97 is not subject to retirement by rotation and is not taken into account in determining the number of Directors who must retire by rotation under rule 79.2. Under rule 79.5, a retiring Director is entitled to offer himself for re-election.
- 5.3 In accordance with the above, the two Directors that must retire by rotation at this Meeting are Mr Xin Zhang and Mr Yong Jiang, who were both last re-elected to the Board at the 2013 annual general meeting of the Company. Mr Yong Jiang has indicated that he will offer himself for re-election at the Meeting. Mr Xin Zhang wishes to retire from the Board and accordingly is not seeking re-election. The Board would like to express its sincere gratitude to Mr Zhang for his valuable efforts and contributions to the Group during the tenure of his office.
- 5.4 Mr Yong Jiang is the founder and chairman of a prestigious business club in Shenzhen. He is also the founder and general manager of a diversified media company focusing on the investment and production of films, TV and entertainment programmes based in Beijing. Over the years, he has been serving in senior executive positions in a number of Chinese enterprises. Through his involvement in these areas, Mr Jiang has established an extensive network of high net worth individuals with successful business experience in China.
- 5.5 The Directors (other than Mr Yong Jiang) recommend that you vote in favour of Resolution 2. Mr Yong Jiang makes no recommendation to Shareholders. All of the Directors entitled to vote on Resolution 2 intend to vote in favour of Resolution 2.

6. Resolution 3: Approval of conversion rights of 2,500,000 convertible notes

- 6.1 As announced on 3 June 2016, the Company secured \$2,500,000 convertible note facility (**Facility**) and entered into convertible note deeds (**CN Deeds**) with sophisticated investors (**Noteholders**) set out in the table below for the issue of an aggregate of \$2,500,000 unsecured convertible notes (**Convertible Notes**). As at the date of this Notice, the Facility has been fully drawn down.

Noteholders	Convertible Notes issued
Phoenix Honour Limited	\$1,250,000
Sure Talent Global Limited	\$1,250,000
Total	\$2,500,000

- 6.2 The Company relied on ASX Listing Rule 7.1B.2 to issue those Convertible Notes without prior Shareholder approval and without using its placement capacity, on the basis that the conversion right will be approved by Shareholders subsequent to the issue and prior to the conversion of those Convertible Notes.

In the case of all Convertible Notes issued under the Facility, no approval is required for the conversion of those Convertible Notes into Shares by virtue of ASX Listing Rule 7.2 (exception 4).

6.3 The material terms of the Convertible Notes are as follows:

Security	The Convertible Notes are unsecured.
Interest	The Convertible Notes will accrue interest on its face value daily at an interest rate of 8% per annum.
Maturity Date	31 December 2016.
Conversion by the Company	The Company may, at any time prior to the Maturity Date, by issuing a conversion notice to the Noteholder, elect to convert all of the Convertible Notes held by the Noteholders into ordinary shares in any of: <ul style="list-style-type: none"> • the Company; or • specified wholly owned subsidiaries of the Company (each an Eligible Issuer).
Conversion by Noteholders	The Noteholders may elect, by issuing a conversion notice to the Company, to convert the Convertible Notes prior to the Maturity Date. The Convertible Notes will be convertible into ordinary shares in any of the Eligible Issuers that the Noteholders determine, acting reasonable and following consultation with the Company.
Conversion price	The face value of, and interest accrued on, each Convertible Note is convertible into: <ul style="list-style-type: none"> • (if the Eligible Issuer is the Company) Shares, at a conversion price equal to 80% of the VWAP of the Shares in the Company for the 30 days immediately prior to the date of the relevant conversion notice; or • (if the Eligible Issuer is a specified wholly owned subsidiary of the Company) ordinary shares in that wholly owned subsidiary at a conversion price agreed between the Company and the Noteholders.
Redemption	The Company may, at any time, make an election to redeem some or all of the Convertible Notes by providing the Noteholder with notice in writing.
Conversion after Maturity Date	If the Convertible Notes have not been redeemed or converted by the Maturity Date, the Company must within 10 business days after the Maturity Date, convert all of the Convertible Notes into Shares.
Conversion shares	The shares issued on conversion of the Convertible Notes will rank equally in all respects with all ordinary shares in the issued capital of the Eligible Issuer.

6.4 The number of Shares that may be issued upon conversion of the Convertible Notes (if the Company or the Noteholders elect to convert the Convertible Notes into Shares) is unknown at present because the conversion price of the Convertible Notes to determine the number of Shares to be issued is to be calculated based on the 30 day VWAP prior to the date of a conversion notice. Set out below are examples of different scenarios, assuming that the face value of all Convertible Notes, being \$2,500,000 (excluding amount of any interest accrued on the Convertible Notes) are converted on the Maturity Date. The VWAPs below are based on the Company's 12 month trading history (the lowest 30 day VWAP price during this period, being \$0.2653 – and the highest 30 day VWAP price during this period, being \$0.2845) as at 17 October 2016:

Assumed 30 day VWAP prior to Maturity Date	Conversion Price (80% of the 30 day VWAP prior to Maturity Date)	Number of Conversion Shares
\$0.2653	\$0.2122	11,781,338
\$0.2749	\$0.2199	11,368,804
\$0.2845	\$0.2276	10,984,182

6.5 Information required by ASX Listing Rule 7.3

- (1) the number of Convertible Notes issued for which approval of its conversion right is sought is 2,500,000. The maximum number of Shares to be issued upon conversions of the Convertible Notes, will be determined by dividing the face value of, plus interest accrued on the Facility Notes, by 80% of the 30 day VWAP prior to the date of a conversion notice. See section 6.4 above for the number of Shares that could be issued on conversion;
- (2) The conversion rights the subject of Resolution 3 will attach to the Convertible Notes on the date of the Annual General Meeting immediately following the Annual General Meeting (assuming shareholder approval to Resolution 3 is obtained). Shares will be issued pursuant to conversion of the Convertible Notes as and when a conversion notice is served by either the Company or the Noteholders (see above section 6.3) for which the Company will rely on ASX Listing Rule 7.2 (exception 4) to issue those Shares;
- (3) the issue price for each Convertible Note is equal to its face value, being \$1.00. Shares will be issued at a price being equal to 80% of the 30 day VWAP prior to the date of a conversion notice;
- (4) the Convertible Notes were issued to the parties set out section 6.1 above.
- (5) the terms of the Convertible Notes are set out above in section 6.3;
- (6) Funds raised from the Convertible Notes will be used as working capital for the Group; and
- (7) a voting exclusion statement is included in this Notice of Meeting.

7. Resolution 4: Approval of additional capacity to issue Shares under ASX Listing Rule 7.1A

General

- 7.1 ASX Listing Rule 7.1A permits eligible entities to seek shareholder approval by special resolution at an Annual General Meeting to issue an additional 10% of issued capital by way of placements over a 12 month period (**10% Placement Capacity**). The additional 10% placement capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

- 7.2 The effect of Resolution 4 will be to allow the Directors to issue equity securities under ASX Listing Rule 7.1A during the period of 12 months following the Annual General Meeting without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Eligibility

- 7.3 An eligible entity under ASX Listing Rule 7.1A is one which has a market capitalisation of \$300 million or less and is not included in the S&P / ASX 300 Index. The Company is an eligible entity for the purposes of ASX Listing Rule 7.1A.
- 7.4 The Company hereby seeks shareholder approval by way of a **special resolution** to have the ability to issue equity securities under the 10% Placement Capacity.
- 7.5 The exact number of equity securities that may be issued pursuant to the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 which provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated as follows:

$$(A \times D) = E$$

where:

A is the number of fully paid ordinary securities on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (2) plus the number of partly paid shares that became fully paid in the 12 months;
- (3) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 or 7.4. This does not include an issue of fully paid shares under the Company's 15% placement capacity without shareholder approval;
- (4) less the number of fully paid shares cancelled in the 12 months;

Note that A has the same meaning in the ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under Rule 7.1 or 7.4.

- 7.6 Any equity securities issued under the 10% Placement Capacity must be in an existing quoted class of the Company's equity securities. The Company presently has only one class of quoted securities being fully paid ordinary shares.

7.7 If the Company issues any equity securities under the 10% Placement Capacity, the entity must, pursuant to ASX Listing Rules 7.1A.4 and 3.10.5A:

- (1) give to the ASX a list of the allottees of the equity securities and the number of equity securities caused to be allotted to each (but this list is not required to be released to the market); and
- (2) disclose to the market the details of the dilution to the existing holders of ordinary securities caused by the issue; where the equity securities are issued for cash consideration, a statement of the reasons why the eligible entity issued the equity securities as a placement rather than as a pro rata issue; the details of any underwriting arrangements and fees payable to the underwriter; and any other fees or costs incurred in connection with the issue.

Technical information required by ASX Listing Rule 7.3A

7.8 Minimum price

Any equity securities issued by the Company under ASX Listing Rule 7.1A can only be issued at a price that is no less than 75% of the VWAP for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (1) the date on which the price at which the securities are to be issued is agreed; or
- (2) the date on which the securities are issued if the securities are not issued within five trading days of the date on which the issue price is agreed.

7.9 Dilution to existing security holders

If Resolution 4 is approved by shareholders and the Company issues securities under the 10% Placement Capacity, the additional economic and voting interests in the Company will be diluted. There is a risk that the market price of the Company's securities may be significantly lower on the issue date than on the date of the Annual General Meeting and the securities may be issued at a price that is at a discount to the market price on the issue date.

The table below shows a number of hypothetical scenarios for a 10% placement as required by ASX Listing Rule 7.3A.2 where the number of the Company's shares on issue (variable "A" in the formula in ASX Listing Rule 7.1A.2) has remained current or increased by either 50% or 100% and the share price has decreased by 50%, remained current or increased by 100% based on the closing share price on ASX at 17 October 2016.

Number of shares on issue Variable "A"	Additional 10% placement Shares issued & funds raised	Dilution		
		\$0.11 Issue price at half current market price	\$0.22 Issue price at current market price	\$0.44 Issue price at double current market price
Current 603,531,843	Shares issued	60,353,184	60,353,184	60,353,184
	Funds raised	\$6,638,850	\$13,277,700	\$26,555,401
50% increase 905,297,765	Shares issued	90,529,776	90,529,776	90,529,776
	Funds raised	\$9,958,275	\$19,916,551	\$39,833,101
100% increase 1,207,063,686	Shares issued	120,706,368	120,706,368	120,706,368
	Funds raised	\$13,277,700	\$26,555,401	\$53,110,802

The dilution table uses the following assumptions which the Company does not represent will necessarily occur:

- (1) the Company issues the maximum number of securities available under the additional 10% placement;
- (2) the table shows only the effect of issues of securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1;
- (3) the 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
- (4) the table does not show an example of dilution that may be caused to a particular shareholder by reason of the placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Annual General Meeting; and
- (5) the issue price at current market price is the closing price of the shares on the ASX on 17 October 2016.

7.10 10% placement period

Shareholder approval under ASX Listing Rule 7.1A is valid from the date of the Annual General Meeting until the earlier of:

- (1) 12 months after the Annual General Meeting; or
- (2) the date of approval by shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking).

7.11 Purpose of 10% additional placement

The Company may seek to issue securities under the 10% placement for either:

- (1) **Cash consideration.** The Company may use the funds for working capital, towards potential transactions or for other corporate purposes deemed by the Board to be in the best interests of the Company; or
- (2) **Non-cash consideration** for transactions deemed by the Board to be in the best interests of the Company. In such circumstances the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with ASX Listing Rule 7.1A.3.

The Company will comply with any disclosure obligations under ASX Listing Rules 7.1A.4 and 3.10.5A upon the issue of any securities under ASX Listing Rule 7.1A.

7.12 Allocation policy

The Company's allocation policy is dependent upon the prevailing market conditions at the time of any proposed issue pursuant to the 10% placement. The identity of allottees of equity securities will be determined on a case by case basis having regard to factors including but not limited to the following:

- (1) the methods of raising funds that are then available to the Company;
- (2) the effect of the issue of the equity securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from professional and corporate advisers (if applicable).

Allottees under the 10% placement have not been determined as at the date of this Notice of Meeting and may include existing and/or new security holders but cannot include any related parties or associates of a related party of the Company.

7.13 Previous Issues of Securities

The Company has previously obtained shareholder approval at its annual general meeting on 27 November 2015 to have the additional capacity to issue equity securities under ASX Listing Rule 7.1A.

In the 12 months preceding the date of this Notice (**Relevant Period**), the Company has issued 2,500,000 Equity Securities (being the Convertible Notes). Under ASX Listing Rule 7.3A.6(a), the Company is required to provide the percentage the Convertible Notes represent of the total number of equity securities on issue at the commencement of the Relevant Period. On the basis that the Convertible Notes are counted on the same basis as all other Equity Securities, the Convertible Notes represent 0.41% of the total number of equity securities on issue at the commencement of the Relevant Period. On the basis that the Convertible Notes are treated as the number of Shares that may be issued on their conversion, such number of Shares is unknown at present because the conversion price of the Convertible Notes to determine the number of Shares to be issued is to be calculated based on the 30 day VWAP prior to the date of a conversion notice. However, set out below are examples of different scenarios, assuming that the face value of all Convertible Notes, being \$2,500,000 (excluding amount of any interest accrued on the Convertible Notes) are converted on the Maturity Date. The VWAPs below are based on the Company's 12 month trading history (the lowest 30 day VWAP price during this period, being \$0.2653 – and the highest 30 day VWAP price during this period, being \$0.2845) as at 17 October 2016. Assuming each of these conversion prices, the percentage the

number of Conversion Shares to be issued represent of the total number of equity securities at the commencement of the Relevant Period, is set out in the right hand column below:

Assumed 30 day VWAP prior to Maturity Date	Conversion Price (80% of the 30 day VWAP prior to Maturity Date)	Number of Conversion Shares	% of total number of equity securities
\$0.2653	\$0.2122	11,781,338	1.95%
\$0.2749	\$0.2199	11,368,804	1.88%
\$0.2845	\$0.2276	10,984,182	1.82%

As required under ASX Listing Rule 7.3A.6(b), the details in respect of the issue of these Equity Securities are set out below:

Number of equity securities issued	2,500,000.
Class and summary of terms of equity securities	Convertible Notes convertible into fully paid ordinary shares of the Company, subject to shareholder approval. Simple interest accrues on each Convertible Note a rate of 8% p.a. The Convertible Notes may be converted by the Company or the noteholders at any time prior to 31 December 2016 into fully paid ordinary shares in the Company at a conversion price equal to 80% of the VWAP for the 30 days immediately prior to the date of conversion or into ordinary shares of the Company's subsidiaries at a conversion price agreed between the parties.
Parties issued equity securities	Phoenix Honour Limited (1,250,000 Convertible Notes) and Sure Talent Global Limited (1,250,000 Convertible Notes).
Price / discount of equity securities issued	Each Convertible Note was issued with face value of \$1.00.
Amount of cash or non-cash consideration	\$2,500,000.

7.14 Voting exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting the Company has not invited and has not determined to invite any particular existing security holder or an identifiable class of existing security holders to participate in an offer under ASX Listing Rule 7.1A. Therefore no existing security holder will be excluded from voting on this Resolution.

Glossary

In the Notice of Meeting, unless the contrary intention appears or the context requires otherwise:

Annual General Meeting, General Meeting and **Meeting** means the Company's 2016 annual general meeting.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the official listing rules of the ASX.

Board means the board of Directors of the Company.

Business Day has the same meaning as that given in ASX Listing Rules.

Chairperson means the person appointed as the chairperson of the Company for the purposes of the Meeting.

Company means ASF Group Limited ACN 008 924 570.

Constitution means the current constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth) and associated regulations.

Director means a director of the Company and **Directors** has a corresponding meaning.

Explanatory Memorandum means this explanatory memorandum that forms part of this Notice of Meeting.

Notice or **Notice of Meeting** means this notice of meeting and explanatory memorandum for the Meeting.

Proxy Form means the proxy form attached to and forming part of this Notice of Meeting.

Remuneration Report means the Company's remuneration report for the financial year ended 30 June 2016.

Resolution means a resolution referred to in the Notice of Meeting.

Share means an ordinary share in the capital of the Company and **Shares** has a corresponding meaning.

Shareholder means a person who is registered in the Company's register of members as a holder of Shares and **Shareholders** has a corresponding meaning.

Share Registry means Boardroom Pty Limited.

VWAP means volume weighted average price.

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 12, 225 George Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00 AM (AEDT) WEDNESDAY 23 NOVEMBER 2016**

TO VOTE BY COMPLETING THE PROXY FORM**STEP 1 APPOINTMENT OF PROXY**

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00 am (AEDT) on Wednesday, 23 November 2016**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **ASF Group Limited** and entitled to attend and vote hereby appoint

Appoint the **Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy at the **Annual General Meeting of ASF Group Limited to be held at Suite 18B, Opera Quays, 7 Macquarie Street, Sydney NSW 2000 on Friday, 25 November 2016 at 11:00 am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Important for Resolution 1

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, by not marking any of the below "For", "Against" or "Abstain" boxes you will have directed the Chairman of the Meeting to vote in favour of Resolution 1 even though this Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

Note: If you do not wish to give the Chairman of the Meeting such a directed proxy, you should ensure that a box other than the "For" box is clearly marked for Resolution 1 and in Step 2 below.

The Chairman of the Meeting will vote all undirected proxies in favour of all Resolutions.

STEP 2 VOTING DIRECTIONS
* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of a Director, Mr Yong Jiang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of conversion right of 2,500,000 convertible notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of additional capacity to issue Shares under ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS
This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>	<input style="width: 100%; height: 30px;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... Date / / 2016