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3 July 2014

Dear Shareholder

Non-Renounceable 1 for 8 Rights Issue to Shareholders to raise approx. \$10m

1 Rights Issue

ASF Group Limited ACN 008 924 570 (ASX: AFA) (the **Company**) announced a non-renounceable 1 for 8 rights issue on 2 July 2014 (**Offer**) and is pleased to provide further detailed information on the Offer.

The Offer is for new fully paid ordinary shares (**New Shares**) on the basis of one (1) New Share for every eight (8) existing shares held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below) (**Existing Shares**), at a price of \$0.18 per New Share (**Issue Price**).

Based on the current shares on issue in the Company, a total of up to 55,880,000 New Shares will be offered to raise up to \$10,056,629 (before the costs of the Offer).

The Issue Price represents a discount of approximately 5.26% to the last closing price of the Company's shares on the ASX prior to the announcement of the Offer.

The Offer is non-renounceable, meaning that Eligible Shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

2 Offer Document

The Offer is being conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth) (the **Act**). Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to shareholders. The Company has prepared a document explaining the Offer in more detail (**Offer Document**).

The Offer Document has been lodged with the ASX on 2 July 2014 and will be sent to Eligible Shareholders on or before 11 July 2014, together with an Application Form.

A Cleansing Notice and Appendix 3B were also lodged with the ASX on 2 July 2014.

All documents are available for inspection on the ASX website at www.asx.com.au and the Company's website at www.asfgroupltd.com.

3 Eligibility and Record Date

Holders of shares in the Company as at 7.00pm (Sydney time) on 8 July 2014 (**Record Date**) will be eligible to participate in the Offer (**Eligible Shareholders**).

4 Placement of Shortfall

A Shortfall will arise if the applications for New Shares under the Offer received are less than the total number of New Shares offered (**Shortfall Shares**).

The Company will allow Eligible Shareholders, in addition to applying for all of their Entitlements, to apply for such further number of Shortfall Shares, which the Eligible Shareholder may specify in the Acceptance Form.

In the event that there is no Shortfall, the Application Monies relating to the Shortfall will be returned to the Eligible Shareholder as soon as practicable following the Closing Date without interest.

In the event that applications from Eligible Shareholders to participate in the Shortfall exceed the number of Shortfall Shares, those applications will be scaled back in the discretion of the Directors.

In order to minimise the take-up by the Underwriters and thereby minimise any control issues for it, the Company will allocate Shortfall Shares with a first priority to Eligible Shareholders that have subscribed for their full Entitlement, a second priority to unrelated parties applying for Shortfall Shares by the Closing Date (22 July 2014) and as a third priority to the Underwriters.

Notwithstanding any application received by the Company for Shortfall Shares from Eligible Shareholders, the Directors may at their complete and absolute discretion place the Shortfall Shares with any third party.

5 Underwriting of Offer

The Offer is fully underwritten by the three largest shareholders of the Company, being FY Holdings Limited, Ruby Bridge Group Ltd and Suntimes International Ltd (together the **Underwriters**). FY Holdings and Suntimes International are related parties of the Company.

Each of the Underwriters has unconditionally agreed to subscribe for the full amount of their Entitlement and to underwrite 33.3% of the Shortfall Shares not taken up or placed to shareholders. Set out in the table below is a summary of the effect on the Company if none of the Eligible Shareholders take up any of their entitlements and the Underwriters subscribe for the entire amount of the Shortfall Shares:

Name of Underwriter	Current voting power	Percentage of shortfall underwritten	Maximum voting power following Rights Issue
FY Holdings Limited	13.97%	33.3%	16.12%
Ruby Bridge Group Limited	12.84%	33.3%	15.12%
Suntimes International Ltd	8.95%	33.3%	11.66%

A summary of the underwriting arrangements will be set out in the Offer Document that will be sent to Eligible Shareholders on or before 11 July 2014.

6 Use of proceeds from the Offer

The Company will use the proceeds raised under the Offer to:

- (a) fund investments in current portfolio assets, including engaging property development consultants;
- (b) investigate and advance business development opportunities for the Company, with the goal of creating value for shareholders; and
- (c) provide working capital to the Company generally.

7 Timetable

The current proposed timetable for the Offer is set out below. All dates are subject to change and accordingly are indicative only. The Company has the right to vary the dates of the Offer, without prior notice, subject to the Corporations Act and the ASX Listing Rules.

Event	Date
Announcement of Offer, lodgment Appendix 3B and Section 708AA cleansing notice released to ASX	2 July 2014
Notice to Shareholders containing information required by Listing Rules	3 July 2014
"Ex" Date	4 July 2014
Record Date to determine Entitlement to New Shares	8 July 2014
Despatch of Offer Document and Entitlement and Acceptance Form and announcement that despatch completed	11 July 2014
Last day to extend Offer Closing Date	17 July 2014
Closing Date	22 July 2014
Securities quoted on a deferred settlement basis	23 July 2014
ASX notified of Shortfall	25 July 2014
Issue of New Shares, despatch date of holding statements	29 July 2014
Trading commences for New Shares on a normal settlement basis	30 July 2014

8 Capital Structure

The effect of the Offer on the capital structure of the Company based on the current shares on issue is as follows:

- (a) the maximum number of New Shares that may be issued under the Offer is 55,880,000, raising a maximum of \$10,056,629; and
- (b) after completion of the Offer, the maximum number of issued shares in the Company will be 502,831,458.

This assumes that no other shares are issued prior to the completion of the Offer.

9 Participating in the Offer

The Board recommends the Offer to shareholders.

However, before making a decision whether to apply for New Shares, Eligible Shareholders should read the Offer Document carefully and in its entirety when they receive it.

For further information on your Entitlement, please contact your professional advisor or the Company's share registry, Boardroom Pty Limited by phone on 1300 737 760 (from within Australia), +61 (2) 9290 9600 (from outside Australia).

Yours sincerely
ASF GROUP LIMITED

A handwritten signature in black ink, appearing to be 'Min Yang', written over a faint rectangular box.

Min Yang
Chairman