AFC Group Holdings Limited

INTERIM REPORT

FOR SIX MONTHS ENDING 30 SEPTEMBER 2016

AFC GROUP HOLDNGS LIMITED (FORMERLY AUSTRALASIAN FOOD CORPORATION LIMITED)

CONTENTS OF SIX MONTHLY REPORT

Director Profiles

Brent King Yang Xia

Yang Xia

Yang Xia is a Chinese national with more than 30 years of experience in commerce and finance. Prior to starting his own business, he held management and leadership roles in the Chinese Government's finance department and in major nationally owned Chinese companies. He is a former director general of the Anhui Chaohu Foreign Trade and Economic Relations Commission. He currently holds directorships in various Chinese companies spanning a range of industries.

In 2007 Mr Xia formed his own investment company, Guangdong Yinruy Investment & Management Company. While a majority of his investments are in China, he has also invested in a chemical company in Thailand. Mr Xia is currently in the process of expanding his investment activities into Australia and New Zealand having founded NZ Silveray Group Limited in February 2014.

Brent King

Brent King is an Auckland based Investment Banker who has over 30 years of experience in Public Markets, Finance and Investments. He has served on a number of public and private company Boards.

Mr King has advised on a number of high profile listings and capital raisings in New Zealand. He holds a degree from Canterbury University (B.Com) and he is a Chartered Accountant (C.A.) and a financial adviser (R.F.A.).

Mr. King was the founder and Managing Director of Dorchester Pacific Ltd. for 17 years resigning in December 2005.

Rewi Bugo Yang Xia

Rewi Bugo

Rewi Hamid Bugo is a graduate of the University of Canterbury, Christchurch where he obtained a Bachelor of Science in Management Science and a Master of Commerce in Business Administration. He has business experience in several sectors including oil and gas, property development, insurance broking and travel and tourism.

Mr Bugo sits on the board of several private companies in Malaysia and New Zealand and is Vice Chairman of the Sarawak Chapter of the Malaysia New Zealand Chamber of Commerce.

Charles Cao

Mr. Bo Xian (Charles) Cao is a Chinese National and a New Zealand Citizen. He moved to New Zealand in 1994 and he has over 22 years business experience in China and New Zealand. He has held various executive positions in export related sectors specifically primary industries (including Hydroponics) and Skin Care industries. Mr. Cao has developed skills in trading between New Zealand and Asian countries specializing in Hong Kong and China.
Mr. Cao joined AFC in 2016 and he is currently the Chief Executive Officer of Australasian Food Corporation International Trading Ltd.

Hao Long

Mr. Hao Long (Howard) is a Chinese National and a New Zealand Permanent Resident. He moved to New Zealand in 2002 and graduated from Massey University with double major in Accounting and Marketing. Howard is a Chartered Accountant (CA) and a member of Chartered Accountants Australia and New Zealand. He has over 10 years professional accounting experience, This has included a top 4 accounting firm, a midsize firm plus experience in the commercial sectors in China and New Zealand.

Mr. Long joined AFC in 2015 and he is the assistant to the Chairman of AFC Group Holdings Ltd.

Directors' Report

As at 30/09/2016, AFC Group Holdings Limited (AFC) a half year Net Asset $5.47million ($903,018 as at 30/9/15) . This is a 500% increase over the 12 months period. Operating revenue has also grown dramatically from $0 to 6.47 mil over the same period. Total comprehensive loss for the year is $549,870, which is a strong performance over the period as AFC had to incur considerable costs to support the significant growth in sales. Last years figures are misleading due to the debt forgiveness ($1,085,347) received as part of the re capitalization.

For the first half year, AFC Group received over $4 million from the subscription of shares and the exercising of warrants. This capital has provided AFC with a solid capital basis for the future development of AFC. AFC International Trading Group Limited (AFCITG) is averaging over $1 million turnover each month since February 2016. AFCITG is very significant for AFC as it is the major Income earner for the Group, but it also introduces other opportunities to AFC. National Dairy Group Limited (NDG) has exported high-quality milk powder and honey from both New Zealand and Australia. The company has also started trading with China and also introduces opportunities to AFC.

AFC Longview Ltd is the 51% owned subsidiary, which owns the very popular White Diamond brand, has completed a bumper harvest in March this year. It has processed the grapes and produced an outstanding wine. None of the wine has been exported during the 6 months, however the sales appear strong for the second six months.

It is clear that AFC has changed it is operation strategy and it is moving aggressively towards export and trading opportunities.

Looking forward next half year, turning from loss to profit is the priority for AFC Group. Follows are the valuable points:

1. The primary operating income of AFCITG is to purchase and sell New Zealand and Australian's well-known brands and products. The company has become an agent for a number of popular well-known products. AFCITG has turned the corner and it is trading profitably since November 2016. We anticipate that it will continue to increase its profitability over the balance of this financial year.

2. NDG has been focusing on selling its OEM products. The honey, milk powder, beef, and lamb have opened its market in China. NDG will continue to receive a $200,000 brand usage fee from Guangdong Farmside Limited each year for the next 4 years. We expect NDG to achieve $100,000 profit before the end of this financial year.

3. AFC Longview Limited (Longview) has received its White Diamond Wine export certificate. The majority of 2016 White Diamond Wines will be shipped to China. Longview will have a turnover over $1 million, profit of approximately $300,000 for the second 6 months due to the export of White Diamond.

4. AFC Biotechnology Manufacture Co Limited (AFC Biotech) is a company that manufactures sheet facemasks. The facemask project is using a leading fully automatic production machine, which is produced by the So-Matec Epple GmbH Germany. The purcahse and installation of the machinery will be complete by the end of February 2017. The factory has production capacity of 10 million sheets per year; AFC Biotech will become the largest sheet facemask manufacturer in New Zealand. We are expecting significant turnover and profit in the first year.

We thank shareholders for their support. You can see from the above we have been very busy in the last 6 months .We have made significant progress on all Divisions and we expect the second six months to be very positive for AFC Group Holdings Ltd.

Xia Yang
Chairman of AFC Group Holdings Limited.

AFC Group Holdings Limited (formerly known as Australasian Food Corporation Limited)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Notes	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
Income				
Operating Revenue		6,472,329	-	1,571,795
Cost of Sales		(5,885,910)	-	(1,367,500)
Gross profit		586,419	-	204,295
Other Income		5,970	1,085,347	1,073,063
Change in value of inventories		16,605	-	-
Expenses				
Selling and Distribution Expenses		(38,068)	-	(26,816)
Administration Expenses		(1,018,124)	(245,090)	(690,335)
Amortisation of Intangible assets		(75,750)	-	(113,624)
Total expenses		(1,131,942)	(245,090)	(830,775)
Operating profit / (loss) before financing costs and taxation benefit		(522,948)	840,257	446,583
Finance Income		1,507	-	18,141
Finance Expense		28,429	-	15,466
		(26,922)	-	2,675
Profit / (loss) before income tax		(549,870)	840,257	449,258
Income tax expense		-	-	-
Net profit / (loss) for the year		(549,870)	840,257	449,258
Other comprehensive income		-	-	-
Total comprehensive income / (loss) for the year		(549,870)	840,257	449,258
Profit / (loss) Attributable to:				
Equity holders in the parent		(486,144)	840,257	474,106
Non-controlling interest		(63,726)	-	(24,848)
		(549,870)	840,257	449,258
Profit / (loss) per share:				
Basic profit / (loss) per share (cents per share)		(0.02)	0.05	0.03
Diluted profit / (loss) per share (cents per share)		(0.01)	0.03	0.01

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 9 to 14

AFC Group Holdings Limited (formerly known as Australasian Food Corporation Limited)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

Group	Notes	Share Capital NZ$	Accumulated Loss NZ$	Equity Holders NZ$	Non-controlling Interest NZ$	Total Equity NZ$
Balance at 31 March 2015		23,288,552	(24,284,288)	(995,736)	-	(995,736)
Net comprehensive income / (loss) for the six months		-	840,257	840,257	-	840,257
Transactions with owners						
Ordinary shares issued		1,100,000	-	1,100,000	-	1,100,000
Share issue costs		(41,429)	-	(41,429)	-	(41,429)
		(74)	-	(74)	-	(74)
Balance at 30 September 2015		24,347,049	(23,444,031)	903,018	-	903,018

Group	Notes	Share Capital NZ$	Accumulated Loss NZ$	Equity Holders NZ$	Non-controlling Interest NZ$	Total Equity NZ$
Balance at 31 March 2015		23,288,552	(24,284,288)	(995,736)	-	(995,736)
Net comprehensive income / (loss) for the six months		-	474,106	474,106	(24,848)	449,258
Transactions with owners						
Ordinary shares issued		2,300,000	-	2,300,000	1,176,000	3,476,000
Share issue costs		(47,643)	-	(47,643)	-	(47,643)
Treasury shares acquired		(74)	-	(74)	-	(74)
Balance at 31 March 2016		25,540,835	(23,810,182)	1,730,653	1,151,152	2,881,805
Net loss / comprehensive income for the year		-	(486,144)	(486,144)	(63,726)	(549,870)
Transactions with owners						
Ordinary shares issued		3,160,346	-	3,160,346		3,160,346
Share issue costs		(21,728)	-	(21,728)	-	(21,728)
Balance at 30 September 2016		28,679,453	(24,296,326)	4,383,127	1,087,426	5,470,553

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 9 to 14

AFC Group Holdings Limited (formerly known as Australasian Food Corporation Limited)

Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
SHAREHOLDERS EQUITY				
Issued share capital	6	28,679,453	24,347,049	25,540,835
Accumulated loss		(24,296,326)	(23,444,031)	(23,810,182)
Total Equity attributable to shareholders of the company		4,383,127	903,018	1,730,653
Non-controlling Interest		1,087,426	-	1,151,152
Total shareholders funds / (deficit)		5,470,553	903,018	2,881,805
Represented by:				
CURRENT ASSETS				
Cash and cash equivalents		1,381,245	893,283	688,988
Trade and other receivables		598,154	73,360	655,685
Related parties receivable		383,739	-	380,683
Inventories		1,928,220	-	896,924
Prepayments and other current assets		164,874	-	913,244
Total current assets		4,456,232	966,643	3,535,524
NON-CURRENT ASSETS				
Property, plant and equipment		1,546,462	-	1,540,904
Biological assets		74,659	-	-
Intangible assets and goodwill		792,069	-	867,819
Total non-current assets		2,413,190	-	2,408,723
Total assets		6,869,422	966,643	5,944,247
CURRENT LIABILITIES				
Trade and other payables		623,182	26,954	292,869
Related party payables		508,331	36,671	2,510,305
Total current liabilities		1,131,513	63,625	2,803,174
NON-CURRENT LIABILITIES				
Related party payables		267,356	-	259,268
Total non-current liabilities		267,356	-	259,268
Total liabilities		1,398,869	63,625	3,062,442
Net assets / (liabilities)		5,470,553	903,018	2,881,805
Net tangible assets per share (cents per share)		0.13	0.02	0.11

For and on behalf of the Board, dated DD December 2016

Yang Xia
Director

Brent King
Director

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 9 to 14

AFC Group Holdings Limited (formerly known as Australasian Food Corporation Limited)
Consolidated Statement of Cash Flows
For the six months ended 30 September 2016

	Notes	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
Cash flows from operating activities				
Cash was received from:				
Receipts from customers		6,526,803	119	877,427
Interest income		1,507	9,477	18,141
Other receipts		5,970	-	1,386
Cash was applied to:				
Payments to suppliers and employees		(6,041,772)	(256,411)	(3,334,581)
Interest costs		(48)	-	(4)
Net cash inflow / (outflow) from operating activities		492,460	(246,815)	(2,437,631)
Cash flows from investing activities				
Cash was applied to:				
Purchase of property, plant and equipment		(116,547)	-	(1,654,179)
Purchase of intangible assets		-	-	(981,493)
Net cash inflow / (outflow) from investing activities		(116,547)	-	(2,635,672)
Cash flows from financing activities				
Cash was received from:				
Proceeds from issue of equity securities		3,160,346	1,100,000	2,405,824
Non-controlling interests		-	-	1,176,000
Related party payables		-	-	2,252,407
Cash was applied to:				
Payment of share issue costs		(21,728)	(41,429)	(153,467)
Related party payables		(2,822,274)	-	-
Treasury stock		-	(74)	(74)
Net cash inflow from financing activities		316,344	1,058,497	5,680,690
Net increase/ (decrease) in cash and cash equivalents		692,257	811,682	607,387
Cash and cash equivalents at the beginning of the year		688,988	81,601	81,601
Cash and cash equivalents at the end of the year		1,381,245	893,283	688,988

The financial statements are to be read in conjunction with the notes to the financial statements set out on pages 9 to 14

1. SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

AFC Group Holdings Limited (the "Company") is for company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The company is listed on the Alternative Market of the New Zealand Stock Exchange ("NZAX") and the addresses of its registered office and principal place of business are disclosed in the directory to the interim report. The Company is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013 and its financial statements comply with the Companies Act 1993 and the Financial Reporting Act 2013.

The condensed consolidated interim financial statements of AFC Group Holdings Limited as at and for the period ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP") the Group is a for-profit entity. The principal activity of the Company and the Group produce, manufacture and purchase food, health and cosmetic products for distribution in New Zealand and the Chinese markets.

1.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34 , these financial statements also comply with IAS 34 interim financial reporting.

The condensed consolidated interim financial statements were approved by the directors on 14 December 2015. The directors are not able to amend the financial statements after issue.

1.2 Basis of preparation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and New Zealand Equivalents to International Financial Reporting Standards (IFRS). The financial statements also comply with IFRS. The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies.

The financial statements are presented in New Zealand dollars ("NZD"), which is the Group's functional and presentation currency. All financial information has been rounded to the nearest dollar except when otherwise indicated. The financial statements for the six months ended 30 September 2016 and 2015 periods are both unaudited. The audited annual results for the year ended 31 March 2016 are also presented.

1.3 Statement of Accounting Policies

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited Financial Statements for the year ended 31 March 2016. The accounting policies and methods of computation used in the preparation of the Condensed Interim Financial Statements are consistent with those used for the year ended 31 March 2016 and the six months ended 30 September 2015 and have been applied consistently by all Group companies.

The same significant judgments, estimates and assumptions included in the notes to the financial statements in the Group's financial statements for the year ended 31 March 2016 have been applied to these Condensed Consolidated Interim Financial Statements.

Operating segments are identified on the basis of internal reports provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors as they allocate resources to the segment and assess its performance.

AFC Group Holdings Limited (formerly known as Australasian Food Corporation Limited)

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended 30 September 2016

2. ISSUED SHARE CAPITAL

SHARE CAPITAL	Company Shares Issued No.	Group NZ$
Balance at 31 March 2015	534,080,173	23,288,552
Movement to 30 September 2015		
Ordinary shares issued:		
Shares issued	1,250,000,000	1,100,000
Share issue expenses	-	(41,429)
	1,250,000,000	1,058,571
Balance at 30 September 2015	1,784,080,173	24,347,123
Movement to 31 March 2016		
Shares issued:		
Ordinary shares issued	300,000,000	1,200,000
Treeasury stock acquired	(37,082)	(74)
Share issue expenses	-	(6,214)
	299,962,918	1,193,712
Balance at 31 March 2016	2,084,043,091	25,540,835
Movement for 2016		
Ordinary shares issued:		
Shares issued on exercise of A Warrants	1,182,849	2,366
Shares issued on exercise of May 2016 Warrants	1,578,990,172	3,157,980
Share issue expenses	-	(21,728)
	1,580,173,021	3,138,618
Balance at 31 September 2016	3,664,216,112	28,679,453

On 13 April 2015 the company issued 1.25 billion ordinary shares to NZ Silveray Group Limited at 0.1 cents per share after shareholder approval at a special meeting held on 4th April 2015. A non-refundable deposit was paid in the prior year with the balance in the current year.

On 16 February 2016 the company issued 300 million ordinary shares at 0.4 cents per share to Lin Fang and Min Yan which amounted to $1,200,000 and was paid in cash.

On 6 May 2016 the company issued 1,182,849 ordinary shares at 0.2 cents cents per share on the exercise of AFCWA December 2017 warrants which amounted to $2,366 and was paid in cash.

On 3 June 2016 the company issued 1,578,990,172 ordinary shares at 0.2 cents cents per share on the exercise of May 2016 warrants which amounted to 3,157,980 and was paid in cash.

Share issue expenses are the costs paid during the year in relation to the issue of shares on the exercise of warrants (2015: Subscription of shares by NZ Silveray Group Limited).

All ordinary shares issued are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights and no par value.

2. ISSUED SHARE CAPITAL continued

On 17 April 2015 the company issued 1,784,080,173 0.2 cent warrants on the basis of 1 warrant for each share held at that date. The warrants were issue for nil consideration and can be exercised at the option of the warrant holder at any time up to 31 December 2017.

On 22 April 2016 the company issued 2,085,263,022 0.2 cent warrants on the basis of 1 warrant for each share held at that date. The warrants were issue for nil consideration and could be exercised at the option of the warrant holder at any time up to 31 May 2016.

3. Related party receivable

	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
Related party receivable	383,739	-	380,683
	383,739	-	380,683

Related party receivables earn interest at rates disclosed in the annual report and are repayable on demand.

4. Inventories

	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
Work in progress	265,860	-	80,000
Finished goods	1,662,360	-	816,924
	1,928,220	-	896,924

5. Related party payable

	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
Related parties payables - current	508,331	36,671	2,510,305
Related parties payables - non current	267,356	-	259,268
	775,687	36,671	2,769,573

Related party payables incur interest at rates disclosed in the annual reoport and are repayable on demand.

Related party payables -non current relates to the deferred payment for the purchase of National Dairy Group Limited

6. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of net loss with cash outflow from operations

	Unaudited 6 Months 30/09/16 NZ$	Unaudited 6 Months 30/09/15 NZ$	Audited 12 Months 31/03/16 NZ$
Net profit / (loss) for the period	(549,870)	840,257	449,258
Adjustment for non cash items			
Depreciation of property, plant and equipment	36,330	-	4,772
Amortisation of intangible assets	75,751	-	113,626
Change in value of inventories	(16,605)		
loss in foreign exchange	106,718		
Gain on forgiveness of debt	-	(1,071,677)	(1,071,677)
Adjustment for movements in working capital items			
Trade and other receivables	57,531	(38,306)	(428,007)
Inventories	(1,014,691)	-	(533,924)
Prepayments and other current assets	748,370	-	(1,220,190)
Related party receivables	(3,057)	-	(380,683)
Trade and other payables	223,596	(10,540)	372,220
Related Party payables	820,299	30,926	252,203
Related Party payables non current	8,088	-	4,771
Income in advance and accruals	-	2,525	-
Net cash outflow from operating activities	492,460	(246,815)	(2,437,631)

7. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Principal activity	Ownership interest and voting rights 30/09/16	30/09/15	31/03/16
Australasian Food Corporation Longview Limited (formerly Myirg Limited)	Vineyard and winery	51%	100%	51%
AFC International Trading Group Limited (formerly Viking Share Plan Trustee Limited)	Commodity trading	100%	100%	100%
National Dairy Group limited	Source and distribute goods to China	100%	0%	100%
AFC Biotechnology Manufacturing Co Limiited	Manufacture of cosemetic and beauty products	71%	0%	0%

All the subsidiaries are incorporated in New Zealand and have 31 March balance dates.

AFC Group Holdings Limited (formerly known as Australasian Food Corporation Limited)
For the six months ended 30 September 2016

8. SEGMENT REPORTING

Operating segment

The Group operates in a number of business segment in New Zealand. These are:

International marketing
AFC International Trading Group Limited, who source packaged food products, cosmetics and health products.
National Dairy Group Limited

Vineyard and winery
Australasian Food Corporation Longview Limited

The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

Management monitor the operating results of its business units separately for the purpose of making resource allocations and performance assessments. Segment performance is evaluated based on operating profit or loss, which may be measured differently from operating profit or loss in the consolidated financial statements as segment reporting is based upon internal management reports.

	AFC International Trading Group Limited	**Australasian Food Corporation Longview Limited**	**Other segments**	**Eliminations and adjustments**	**Year ended 30 September 2016**
Operating Income	**NZ$**	**NZ$**	**NZ$**	**NZ$**	**NZ$**
Operating Revenue	6,110,644	81,159	317,133	(36,607)	6,472,329
Other Revenue	-	16,605	-	-	16,605
Interest Income	359	-	1,148	-	1,507
Total Revenue	6,111,003	97,764	318,281	(36,607)	6,490,441
Operating Expenses					
Interest	-	48	28,381	-	28,429
Depreciation and Amortisation	3979	22,115	80,646	-	106,740
Segment profit / (loss)	(322,139)	(129,965)	(84,946)	(12,820)	(549,870)
Assets					
Segment assets	3,139,326	2,444,272	6,240,731	(4,954,907)	6,869,422
Capital Expenditure	14,901	38,966	25,213	-	116,547
Segment Liabilities	3,594,927	224,948	1,297,130	(3,718,136)	1,398,869

The eliminations and adjustments of segment profit, assets and liabilities relate to intercompany transactions and balances which are eliminated on consolidation.

7. EVENTS AFTER THE REPORTING PERIOD

On 29 July 2016 the company formed the subsidary AFC Biotechnology Manufacturing Co Limiited to manufacture cosmetic and beauty products

Directory

Solicitors
Lowndes
P.O. Box 7311
18 Shortland St
Auckland

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92-119
Auckland 1142

Auditors
Staples Rodway
PO Box 3899
45 Queen Street
Auckland

Bankers
ANZ Banking New Zealand Ltd

AFC Group Holdings Contact Details

AFC Group Holdings Limited

P.O. Box 1314, Shortland Street, Auckland 1140

Unit 1, 245 Ti Rakau Drive, Burswood, Auckland 2013

Tel: (09) 304 0145
Fax: (09) 358 3858

Email: enquiries@irg.co.nz

Website
www.afcnz.com