

ASF Group Limited

A.C.N 008 924 570

DIRECTORS' REPORT

The Directors of ASF Group Limited ("ASF Group" or "the Company") submit herewith the financial report of the consolidated entity for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the half-year:

Name	Period of Directorship
Ms Min Yang, Chairman	Appointed 9 September 2005
Mr Nga Fong Lao, Vice Chairman	Appointed 30 November 2006
Mr Quan (David) Fang	Appointed 9 September 2005
Mr Wai Sang Ho	Appointed 30 November 2006
Mr Geoff Baker	Appointed 30 November 2006
Mr Alan Humphris	Appointed 5 September 2007
Mr Shikeng Zhang	Appointed 28 November 2008
Mr Qinglin Zhang	Appointed 28 November 2008
Ms Lily Hongzhen Liu	Appointed 28 November 2008

Principal activities

The consolidated entity's principal activities in the course of the financial year consisted off:

- Energy and Resources
- Property Marketing and Services
- Investment
- Travel Services through an associate company

Review of operations

For the first half of the financial year ended 31 December 2008, the consolidated entity's revenue is \$20,256 (first half FY08: \$13,592,321).

The significant change in operating revenue has come about through ASF relinquishing control of the Company's 40% owned Macau based travel business, Macau Multinational Youth Travel Agency Limited (MYTA) as part of a streamlining of management arrangements and, accordingly, is equity accounting the investment effective from 1 July 2008 as advised in the annual report for financial year 2008. As a result of this decision by directors, the substantial revenue of MYTA which was previously included in consolidated revenue, is no longer included in the Group's consolidated revenue. However following recognition of MYTA as an associate the Group's share of profit from this associate of \$102,108 has been taken up for the period from 1 July 2008 to 31 December 2008. ASF retains its 40% ownership of MYTA.

The net loss attributable to members of the consolidated entity after income tax (NLAT) is \$3,804,369 (first half FY07: NLAT of \$1,466,595). The loss is after the write-down of goodwill by \$1,119,000 relating to the property business, after \$728,100 was expensed in relation to a total of 10,825,000 shares issued in share based payments and after provisioning for impairment of the investment in an associate (MYTA) of \$431,000.

Overview

.ASF Group Limited has a strong Australia-China focus across a number of sectors, particularly mineral resources, property, travel and investment. The Company's strategy is to act as a business 'bridge' between Australia and China and to co-invest with partners in both countries. The Company seeks to add shareholder value through these activities which are still in the development phase.

The Company is presently engaged in discussions with corporate investors which may lead to one or more such parties:

- subscribing to a minority equity position in ASF Resources Pty Limited to fund an enlarged work program in the company's tenements and possible acquisitions; and/or
- establishing a joint venture on two Canning Basin tenements of ASF Resources Pty Limited to fund a drilling program in the tenements during 2009; and/or
- subscribing to shares in the listed Company to fund ongoing operations and possible acquisitions.

The Group's ability to fund proposed mineral exploration activities during 2009, in particular the work program referred to below, is dependent on at least one of the above funding events being implemented.

The Company entered into a "top-up" funding facility with Goldchoice Investments Ltd on 25 February 2009 to provide an equity funding 'back-stop' for the parent entity if required in the event that the significant funding referred to above does not occur.

The Company's activities are summarised, below:

Mineral Resources

The Company holds exploration tenements in the Canning Basin of Western Australia and in Tasmania through its wholly owned subsidiary, ASF Resources Pty Limited.

During the first half, ASF Resources completed the compilation of historical coal exploration on its Canning Basin tenements and has developed a work program of drilling which is scheduled to be undertaken in the second half subject to gaining the requisite approvals from the Department of Industry and Resources and the Kimberley Lands Council and adequate funding. The purpose of the initial program is to establish the location and extent of the coal seams by widely spaced drilling to a depth of approximately 200 metres, to be followed by closer spaced drilling.

During the half year, ASF continued discussions with potential joint venture partners for the Canning Basin and initiated discussions with local and state authorities concerning Canning Basin infrastructure.

Property Services

Operations continue with the marketing and sale of Australian property under the Aushome name and with the marketing of property development projects in China though current activity levels are relatively low.

The proposed Australian based property trust to invest in property projects in China has been put on hold in light of the prevailing financial environment.

The global financial climate has affected ASF's real estate sales and prospects for earning income from commission on property sales. The directors have therefore reviewed the recoverable amount of ASF's Goodwill in the property business and based on a value-in-use calculation have written down the carrying value of goodwill by \$1,119,000 to \$481,000.

Travel Services

The Company's 40% owned Macau based travel business, Macau Multinational Youth Travel Agency Limited (MYTA) continued to operate satisfactorily and reported a net profit after tax of \$255,319 for the first half of the 2009 financial year compared with \$328,237 for the first half of the financial year 2008. As from 1 July 2008 the Company relinquished control of this entity and ASF is now equity accounting its investment effective from 1 July 2008.

As a result of the current global economic downturn MYTA has experienced a downturn in revenue and profit which may continue for some time. The directors have therefore reviewed the recoverable amount of ASF's Investment in this travel associate and based on a value-in-use calculation have written down the carrying value of this investment by \$431,000 to \$1,013,666..

International Trade

The Company was appointed as the sole Australian Official Partner for China International Fair for Investment and Trade (CIFIT) which is sponsored by China's Ministry of Commerce. During the second half the Company was active in making arrangements for the 12th CIFIT which was held on 8-11 September 2008 in Xiamen, China at which the Company established an Australian pavilion for the promotion of bilateral investment and trade.

Auditor's declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is attached.

Signed in accordance with a resolution of the directors

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Min Yang', with a horizontal line underneath it.

Min Yang,
Chairman
Sydney, 27 February 2009

ASF Group Limited

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes
 - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Min Yang
Chairman

Sydney, 27 February 2009