

ASF GROUP LIMITED

(previously known as CMC Power Systems Limited)

Half-Year Financial Report

Incorporating Appendix 4D

31 December 2005

This document contains the half-year information given to ASX under listing rule 4.2A.

The information should be read in conjunction with the 2005 Annual Financial Report.

Appendix 4D Half-year report

ASF GROUP LIMITED
(previously known as CMC POWER SYSTEMS LIMITED)

ABN

50 008 924 570

Half Year ended

31 December 2005

Results for announcement to the market

\$ '000

Revenue	Up	N/A	to	3,466
Profit from ordinary activities after tax attributable to members	Up	N/A	to	3,119
Net profit for the period attributable to members	Up	N/A	to	3,119

Dividends	Amount per security	Franked amount per security
Interim dividend (current report period)	nil	Nil
Interim dividend (previous corresponding period)	nil	Nil

Record date for determining entitlements to the dividend	<div style="border: 1px solid black; padding: 10px; margin: 0 auto; width: 80%;">Not applicable</div>
Details of dividend reinvestment plan	<div style="border: 1px solid black; padding: 10px; margin: 0 auto; width: 80%;">Not applicable</div>

Brief explanation of any of the figures reported items

Refer to attached Directors' Report

ASF GROUP LIMITED
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AND CONTROLLED ENTITIES

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2005.

Directors

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

Name	Period of Directorship	
Min (Mary) Yang	Director Chairperson	Appointed 9 September 2005
Quan (David) Fang	Director	Appointed 9 September 2005
Tony Sin Pyng Teng	Director Company Secretary	Director since July 1997 Company Secretary since October 1997
Dato Chuah Beng Hock	Director	Appointed 19 October 2004 Resigned 5 September 2005
Aundre Kok Onn	Director	Appointed 19 October 2004 Resigned 5 September 2005
Augustine Chan	Director	Appointed 24 August 2004 Resigned 9 September 2005
Dato Sallehuddin bin Kassim	Director	Appointed 19 January 2004 Resigned 9 September 2005

Review of Operations

The consolidated entity recorded a net profit of \$3,119,122 for the half-year ended 31 December 2005. This compares with an after tax loss of \$ 193,279 in the same period in 2004. The net profit is due to the write back of creditors as a result of final dividend declared by the administrator under the Deed of Company Arrangement (DOCA).

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Overview

Subsequent to the year end in early September 2005, the Company was able to enter into a proposal with Goldchoice Investments Limited to recapitalise the Company coinciding with the election given by Ilham Interaktif Sdn Bhd ("IISB") under the Deed of Company Arrangement ("DOCA") to acquire all of the Company's intellectual property assets.

IISB elected Alternative 2 under the DOCA to purchase from the Company all of the assets of certain controlled entities (being Intellectual Property and promissory notes) excluding cash and the Deed Fund in exchange for releasing the Company from a debt of \$620,000 owed by the Company to IISB. On 9 September 2005, settlement under the Heads of Agreement occurred and Goldchoice injected \$300,000 working capital into the Company representing equity and loan funds. The Company's intellectual property was transferred to IISB through the transfer of patents and the transfer of the shares in the wholly owned subsidiary CMC Technologies Pty Limited to IISB effective on 9 September 2005.

Consequent upon this election by Ilham, four Directors of the Company resigned and were replaced by two new Directors, Mr David Fang and Ms Mary Yang, with Tony Teng continuing as a Director. Loans that had been made by IISB to the Company amounting to \$620,000 were cancelled on this date.

The 2004 Annual General Meeting ("AGM") of shareholders was held on 28 November 2005. This Meeting was not held until that date as a result of delays to the completion of the 2004 financial report and also because of the adverse financial position of the Company and the costs associated with holding the AGM. The election by Ilham coincided with the Company agreeing to a funding package from Goldchoice Investments Limited, ("Goldchoice") a Hong Kong based company. This funding package gave the Company the opportunity to avoid liquidation and to make a new start.

The Company became a 'shell' without material assets and its immediate future dependent on anticipated further funding from Goldchoice through the exercising of the options granted at the Meeting and the possible acquisition of new businesses.

The DOCA was fully effectuated on 28 November 2005 and as a result the Company is no longer under administration.

On 12 April 2006 the Company changed its name to ASF Group Limited and the ASX code for the Company was changed from "CSY" to "AFA" effective 26 April 2006.

Financial Result

The net profit result of the consolidated entity of \$3,119,122 was due to the write back of creditors as a result of final dividend declared by the administrator under the Deed of Company Arrangement (DOCA).

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

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Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2005.

This report is signed in accordance with a resolution of the Board of Directors.



Min Yang, Director



Tony Teng, Director

30th October 2006

**ASF GROUP LIMITED
ABN 50 008 924 570
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE MEMBERS OF ASF GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2005 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Date: 30 October 2006

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CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Economic Entity	
	31.12.2005	31.12.2004
	\$	\$
Revenue	3,465,995	2,269
Research & Development expenses	(10,346)	(42,945)
Administrative expenses	(335,177)	(150,440)
Depreciation & amortization expense	(1,350)	(2,163)
Profit before income tax	3,119,122	(193,279)
Income tax expense	-	-
Profit for the period	<u>3,119,122</u>	<u>(193,279)</u>
Overall Operations		
Basic and diluted earnings per share (cents per share)	<u>\$0.0093</u>	<u>0.00</u>

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	Economic Entity	
		31.12.2005	30.06.2005
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		37,167	446,422
Trade and other receivables		1,300	-
Other current assets		2,632	4,324
TOTAL CURRENT ASSETS		41,099	450,746
NON-CURRENT ASSETS			
Plant and equipment		-	14,269
TOTAL NON-CURRENT ASSETS		-	14,269
TOTAL ASSETS		41,099	465,015
CURRENT LIABILITIES			
Trade and other payables		90,163	3,964,415
Short-term borrowings		50,000	-
Short-term provisions		4,836	10,813
Lease liabilities		-	17,809
TOTAL CURRENT LIABILITIES		144,999	3,993,037
NON-CURRENT LIABILITIES			
Other payables		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		144,999	3,993,037
NET ASSETS		(103,900)	(3,528,022)
EQUITY			
Issued capital		33,021,291	32,716,291
Accumulated Losses		(33,125,191)	(36,244,313)
TOTAL EQUITY		(103,900)	(3,528,022)

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	\$	\$	\$
	Issued Capital		
Note	Ordinary	Accumulated Losses	Total
Balance at 1.7.2004	32,716,291	(35,752,157)	(3,035,866)
Loss attributable to members of parent entity		(193,279)	(193,279)
Balance at 31.12.2004	32,716,291	(35,945,436)	(3,229,145)
Balance at 1.7.2005	32,716,291	(36,244,313)	(3,528,022)
Profit attributable to members of parent entity		3,119,122	3,119,122
Shares issued during the period	330,000		330,000
Share Issue costs	(25,000)		(25,000)
Balance at 31.12.2005	33,021,291	(33,125,191)	(103,900)

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CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Economic Entity	
	31.12.2005	31.12.2004
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(764,755)	(626,710)
Interest received	-	2,269
Net cash provided by (used in) operating activities	(764,755)	(624,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	305,000	-
Proceeds from Deed of Company Arrangement	-	620,000
Proceeds from borrowings	50,000	-
Finance lease payments	-	(1,598)
Net cash provided by (used in) financing activities	355,000	618,402
Net increase/decrease in cash held	(409,755)	(6,039)
Cash at beginning of period	446,422	546,547
Cash at end of period	36,667	540,508

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by ASF Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Basis of preparation and going concern

The financial statements have been prepared on the going concern basis of accounting, which assumes that the 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 2005, the consolidated entity recorded a net profit of \$3,119,122 (2004: \$193,279 loss). In addition, the consolidated entity's liabilities exceeded its total assets by \$103,900 as at 31 December 2005 (2004:\$3,229,145).

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis as the Company has reached settlement with creditors through the appointment of voluntary administrators.

Subsequent to 30 June 2005:

- the Company received advice from the Joint Administrators that the Deed of Company Arrangement has been wholly effectuated on 28 November 2005 and the Company is formally out of administration with creditors receiving 8.36 cents in the dollar. This has significantly reduced the consolidated entity's deficiency of \$3,527,000 as recorded in the balance sheet as at 30 June 2005; and

- the Company entered into a proposal with Goldchoice Investments Limited to recapitalise the Company coinciding with an election given by IISB under the Deed of Arrangement to acquire all of the all of the assets of certain controlled entities (being Intellectual Property and promissory notes) in exchange for releasing the Company from a debt of \$620,000.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1: BASIS OF PREPARATION

(a) Basis of preparation and going concern (continued)

The Company, IISB and Goldchoice Investments Limited, (a Hong Kong based company), entered into a Heads of Agreement dated 6 September 2005 whereby Goldchoice injected \$300,000 working capital into the Company and the Company issued 233.33 million Options to Goldchoice with the potential to raise an additional \$700,000.

The Directors have continued to review the Company's strategic direction including new business opportunities.

Subsequent to reporting date, the Company received an additional \$700,000 in working capital through the exercise of 233.33 million options by Goldchoice.

The ability of the Company and consolidated entity to continue as going concerns is dependent upon the availability of adequate funding and the success of business opportunities that the Directors decide to pursue in the future.

In the event that the consolidated entity is unable to access the funding required, there is a significant uncertainty whether it will be able to continue as a going concern and therefore whether the Company and the consolidated entity can realise its assets and extinguish its liabilities at the amounts stated in the statement of financial position. In this situation, the going concern basis would not be appropriate.

(b) Principles of Consolidation

A controlled entity is any entity ASF Group Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(c) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

(d) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1: BASIS OF PREPARATION

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	
- Diminishing Value	37.5%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Investments in Associates

Investments in associate companies are recognized in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee company.. Significant

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1: BASIS OF PREPARATION

influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the group's share of past acquisition reserves of its associates.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 1: BASIS OF PREPARATION

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 2: FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those standards. There are no quantitative effects on transition from Australian Generally Accepted Accounting Principles (AGAAP) to AIFRS. In addition, there have been some changes to the company's accounting policies. The company's accounting policies on transition to AIFRS are detailed in Note 1 to the financial statements

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

The profit reported is due to the write-back as a result of final dividend declared by the administrator under the Deed of Company Arrangement (DOCA)

NOTE 4: DISPOSAL OF SUBSIDIARIES AND RESTRUCTURING

As reported in the annual financial report for June 2005, under the Deed of Company Arrangement ("DOCA"), the parent entity disposed of CMC Power Technologies Pty Limited on 9 September 2005 which in turn holds 100% of the equity of Omessa Holdings Pty Ltd and Lewberg Pty Ltd. These subsidiaries essentially hold the rights to Sytec engine technology including all patents. Under the DOCA, the disposal of these subsidiaries was satisfied by way of repayment of the loan of \$620,000, of which funds \$500,000 had been paid to the administrator's account for disbursement to creditors and \$120,000 had been employed by the parent entity as working capital.

NOTE 5: SEGMENT INFORMATION

Business segments

The operations of the consolidated entity include the research and development of an internal combustion engine using the Scotch Yoke Technology and the marketing of the technology.

Since the re-structure in September 2005 and the effectuation of the DOCA, the engine technology was transferred out of the company and the Company is considering new business opportunities. However there is no reportable segment information in the period.

Geographical segments

The consolidated entity operates predominantly in Australia.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

NOTE 6: CONTINGENT LIABILITIES

There are no contingent liabilities at balance date.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

On 31st March 2006, the Company held its 2005 Annual General Meeting. The passing of all resolutions at the 2005 AGM included approval of the acquisition of a company holding the PRD Nationwide licence for China and Macau with the issue of 650 million shares of the Company being paid to the vendors as consideration.

On 12 April 2006 the Company changed its name to ASF Group Limited and the ASX code for the Company was changed from "CSY" to "AFA" effective 26 April 2006

On the 7th May 2006, a Co-operation Heads of Agreement was signed with Xin Wen Mining Group. Under this agreement the Company and Xin Wen Mining Group, a major state controlled coal mining and power generating group based in Shandong Province, China agree to co-operate in a number of areas in which the Company would play a significant facilitating and advisory role. The areas of co-operation include technology procurement, funding, joint venture partners, commodity and material purchases, education and investment in Australia's resources. The Company anticipates that this agreement may lead to the establishment of a new Australian company, jointly owned by ASF Group Limited and Xin Wen Mining Group for the carrying out of these activities.

On the 9th May 2006, a Heads of Agreement was signed with Mr. Alex Lao. This was a preliminary agreement pursuant to which the Company is carried out final assessment and due diligence on the acquisition of an ownership interest in a well established Macau based travel agency controlled by Mr Alex Lao, which has affiliated travel agency operations in Guandong Province, China. Subsequently, on 28 June 2006, the acquisition by the Company of a 40% interest in the travel businesses was completed.

Between April and June 2006, the Company received an additional \$700,000 in working capital through the exercise by Goldchoice of 233.33 million options issued on 23 December 2005.

ASF GROUP LIMITED
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 17:
 - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date.
2. As disclosed in Note 1 (a) to the Financial Statements, 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Min Yang, Director



Tony Teng, Director

30th October 2006

ASF GROUP LIMITED
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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF ASF GROUP LIMITED

Scope

The financial report and directors' responsibility

We have reviewed the financial report of ASF Group Limited for the half year ended 31 December 2005. The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for the consolidated entity comprising ASF Group Limited and the entity it controlled during the half year ended 31 December 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting estimates inherent in the financial report.

Review approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration as set out on page 6 of the financial report has not changed as at the date of providing our review opinion.

Qualification

Note 1(a) to the financial statements discusses a number of issues that may affect the ability of the Company and the consolidated entity to continue as going concerns. During the period, the Company and its controlled entities have reached a settlement with creditors following the appointment of voluntary administrators and have received additional funding from Goldchoice Investments Limited. In Note 1(a), the directors state their opinion that the going concern basis used in the preparation of the financial report is appropriate given that the above events have occurred.

The Company's directors are presently reviewing the Company's strategic direction including new business opportunities which they envisage will result in additional funding being made available to ensure that the Company and consolidated entity can continue as going concerns.

The ability of the Company and consolidated entity to continue as going concerns is dependent upon availability of adequate funding and the success of business opportunities that the directors decide to pursue in the future. We have been unable to obtain sufficient appropriate evidence in respect of the likelihood of additional funding being received or of the consolidated entity's future plans. In our opinion, if the Company and consolidated entity are unable to obtain additional funding or carry out its future business plans, they would not be able to continue as going concerns.

Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of recorded assets amounts, and/or to the amounts and classifications of liabilities, to reflect the fact that the Company and/or the consolidated entity may be required to realize their assets and extinguish their liabilities other than in the normal course of the business, and at amounts different from those stated in the financial report.

Qualified Review Statement

In our opinion, because of the existence of the limitation on the scope of our work as described in the qualification paragraph, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether the financial report of ASF Group Limited is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

Hall Chadwick

Level 29, St Martins Tower

31 Market Street, SYDNEY NSW 2001



Drew Townsend

Partner

Dated: 30 October 2006