

# **ASF GROUP LIMITED**

**ACN 008 924 570**

**AND ITS CONTROLLED ENTITIES**

## **Half-Year Financial Report**

**Incorporating Appendix 4D**

**31 December 2006**

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

**The information should be read in conjunction with the 2006 Annual Financial Report.**

## Appendix 4D Half-year report

**ASF GROUP LIMITED**

ABN

**50 008 924 570**

Half Year ended

**31 December 2006**

***Results for announcement to the market***

\$ '000

2.1 Revenue				
	Up 290%	3,466	to	13,260
2.2 Profit from ordinary activities after tax attributable to members				(629)
2.3 Net profit for the period attributable to members				(629)
2.4 Dividends	Amount per security	Franked amount per security		
Interim dividend (current report period)	nil	Nil		
Interim dividend (previous corresponding period)	nil	Nil		
2.5 Record date for determining entitlements to the dividend	Not applicable			
Details of dividend reinvestment plan	Not applicable			
2.6 Brief explanation of any of the figures reported items	Refer to attached Directors' Report			
3.0 Net tangible assets per security	31 December 2006	31 December 2005		
	0.103c	(0.025c)		

**ASF GROUP LIMITED**  
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**Interim Financial Report**

**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2006.

**Directors**

The following persons were directors of ASF Group Limited who held office during the half year and up to the date of this report:

Name	Period of Directorship	
Min Yang	Director Chairman	Appointed 9 September 2005
Nga Fong (Alex) LAO	Director Vice Chairman	Appointed 30 November 2006
Quan (David) Fang	Director	Appointed 9 September 2005
Geoffrey Robert BAKER	Director	Appointed 30 November 2006
Wai Sang HO	Director	Appointed 30 November 2006
Tony Sin Pyng Teng	Director Company Secretary	Director since July 1997 Company Secretary since October 1997

**Review of Operations**

The consolidated entity recorded a net loss after tax and minority interest of \$629,214 for the half-year ended 31 December 2006. This compares with a net profit of \$3,119,122 in the same period in 2005 which was due to the write back of creditors on completion of the DOCA.

The net loss result of the consolidated entity after minority interest of \$629,214 was due to the overall expenditure in set-up costs in establishing the new business units of the Company including property infrastructure for China sales, systems and commencement of marketing of our PRDnationwide business in China and our resource projects.

Revenue in the half year amounting to \$13,260,103 compared to \$3,465,995 revenue in 2005. This was due to the revenue generated from the commencement of the travel business.

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**Overview**

At the commencement of the new financial year on 1 July 2006 the Company had successfully completed its restructure and commenced to develop its businesses. These include the property business, which includes the exclusive master franchise of PRDnationwide in China and Macau, and the acquisition of a 40% controlling interest in ASF Macau Multinational Holdings Limited ("MMHL") which wholly owns a well established Macau based travel agency, the Multinational Youth Travel Agency Company Limited (MYTA) and sole management control of Guangdong Great Scenery International Travel Service Limited (GGSIT).

MMHL has an annual turnover of approximately \$20m and, while this investment is brought onto the Company's balance sheet for the first time in year ended 30 June 2006, its performance is now reflected in the half year being reported.

The 2006 Annual General Meeting ("AGM") of shareholders was held on 30 November 2006. At the AGM three new directors were appointed:

- Alex Lao – now the Vice Chairman of the Company and major shareholder who has significant business interests in the property, travel and retail industries in Macau and China, and who is our partner in MYTA and GGSIT;
- Wai Sang Ho - who has substantial property interests in Hong Kong and China and is a major shareholder in the Company;
- Geoff Baker – who has become the Executive Director of operations and finance of the Group.

In this first 6 months of the 2007 financial year, gross revenues of the Group have been building first through consolidation of MYTA, the Macau Travel Group and subsequently through the continuing development of the Properties division. The generation of revenues from PRDnationwide franchising and the Company's international property marketing have commenced. The Company will continue to focus on its key strategies to drive on building revenue during the second half.

On March 9, 2007 the Company entered into an Agreement with a Perth based exploration company, to acquire 7 Exploration Licenses over mineral tenement areas at Ellendale South, West Kimberley, Western Australia.

The Ellendale tenements cover approximately 2,000 km<sup>2</sup> in the Kimberley area, well known for its mineral and diamond deposits. This is the most extensive area held in West Kimberley Lamproite Province, being one of the largest lamproite provinces in the World and home to successful diamond mines.

In addition to being within a world renowned diamond area, prior exploration has indicated the presence of coal in certain of the tenements at both shallow and deep levels. It is the Company's intention to embark on a drilling program in conjunction with its China mining partners to assess the thickness, extent and quality of the coal and to separately investigate other mineralization.

Applications also have been made recently for Exploration Licenses in mineralized areas in western Tasmania. These new investments by ASF Group build upon our earlier acquisitions and are consistent with our business direction of seeking business opportunities in the specific sectors that can be developed between Australia and China.

Finally steps are being undertaken by the Company in March and April 2007 to seek further funds of up to approximately \$2m as a private placement of the Company's shares to a small number of sophisticated investors.

This issue of the new shares will fall within the Company's 15% placement capacity and will put the Company on track to undertake a public raising later this year in conjunction with a proposed re-quotations of its shares on the Australian Stock Exchange.

**Financial Result**

The net loss result of the consolidated entity after minority interest of \$629,214 was due to the overall expenditure in set-up costs in establishing the new business units of the Company including property infrastructure for China sales, systems and commencement of marketing of our PRDnationwide business in China and our resource projects.

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***Auditor's Independence 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 2006.

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

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

***Min Yang***, Director

Dated this 5<sup>th</sup> day of April 2007

**ASF GROUP LIMITED**  
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**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 2006 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: 5<sup>th</sup> April 2007

**Sydney**

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**Penrith**

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**Partners**

Robert Elliott  
Geoffrey McDonald  
Drew Townsend  
David Kenney  
Richard Albarran  
Gino Malacco  
Paul Leroy

**Associates**

Steven Gladman  
Mitchell Ball  
Blair Pleash  
Graham Webb  
Lyle Vallance  
Bill Petrovski

National Association  
Hall Chadwick

**Other Independent firms in:**

Melbourne  
Brisbane  
Adelaide  
Gold Coast  
Perth



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

	<b>Economic Entity</b>	
	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	13,260,104	3,465,995
Ticketing expenses	(1,832,915)	-
Hotel booking expenses	(2,369,233)	-
Tour expenses	(2,903,811)	-
Guandong services expense	(4,236,705)	-
Car rental expenses	(175,910)	-
Commission	(150,746)	-
Selling expenses	(161,381)	-
Motor vehicle expense	(30,245)	(1490)
Lease rental – premises	(153,901)	(26,681)
Power & facilities expenses	(56,324)	-
Marketing & advertising expenses	(53,784)	-
Legal expenses	(31,178)	(7,246)
Fund raising expenses	(70,000)	(50,000)
Employee benefits expense	(391,918)	(34,568)
Professional and consulting fees	(286,061)	(89,000)
China based operational costs	(240,000)	-
Travel costs - overseas	(129,744)	(4,659)
Depreciation & amortization expense	(158,867)	(1,350)
Research & Development expenses	-	(10,346)
Other expenses	(287,266)	(121,533)
<b>(Loss)/Profit before income tax</b>	<b>(459,885)</b>	<b>3,119,122</b>
Income tax expense	7,879	-
<b>(Loss)/Profit for the period</b>	<b>(467,764)</b>	<b>3,119,122</b>
<b>(Loss)/Profit attributable to minority equity interest</b>	<b>(161,450)</b>	<b>-</b>
<b>(Loss)/Profit attributable to members of the parent entity</b>	<b>(629,214)</b>	<b>3,119,122</b>
 <b>Overall Operations</b>		
Basic and diluted earnings per share (cents per share)	(0.0441)	0.0093

**ASF GROUP LIMITED**  
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**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006**

	Economic Entity	
	31.12.2006	30.06.2006
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,213,343	166,842
Trade and other receivables	4,525,285	50,440
Inventories	11,094	-
<b>TOTAL CURRENT ASSETS</b>	<b>5,749,722</b>	<b>217,282</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	260,642	-
Plant and equipment	1,669,711	139,176
Investments accounted for using the equity method	-	1,300,000
Intangible Assets	3,103,466	2,599,990
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,033,819</b>	<b>4,039,166</b>
<b>TOTAL ASSETS</b>	<b>10,835,541</b>	<b>4,256,448</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,906,985	258,389
Short term borrowings	732,674	-
Short-term provisions	561	2,134
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,640,220</b>	<b>260,523</b>
<b>NON-CURRENT LIABILITIES</b>		
Long term borrowings	3,569,303	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,569,303</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>6,209,523</b>	<b>260,523</b>
<b>NET ASSETS</b>	<b>4,574,018</b>	<b>3,995,925</b>
<b>EQUITY</b>		
Issued capital	37,596,291	37,596,291
Reserves	(148,929)	-
Retained Earnings	(34,229,580)	(33,600,366)
Parent entity interest	3,217,782	3,995,925
Minority Equity Interest	1,356,236	-
<b>TOTAL EQUITY</b>	<b>4,574,018</b>	<b>3,995,925</b>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	\$	\$	\$	\$	\$
	Issued Capital Ordinary	Accumulated Losses	Foreign Exchange Reserve	Minority Equity Interests	Total
<b>Balance at 1.7.2005</b>	32,716,291	(36,244,313)			(3,528,022)
Profit attributable to members of parent entity		3,119,122			3,119,122
Profit attributable to minority shareholders					
Shares issued during the period	330,000				330,000
Share Issue costs	(25,000)				(25,000)
<b>Balance at 31.12.2005</b>	<b>32,716,291</b>	<b>(33,125,191)</b>	-	-	<b>(103,900)</b>
<b>Balance at 1.7.2006</b>	37,596,291	(33,600,366)	-	-	3,995,925
Loss attributable to members of parent entity		(629,214)			(629,214)
Minority equity interest recognised at acquisition				1,194,786	1,194,786
Profit attributable to minority shareholders				161,450	161,450
Revaluation increment			(148,929)		(148,929)
<b>Balance at 31.12.2006</b>	<b>37,596,291</b>	<b>(34,229,580)</b>	<b>(148,929)</b>	<b>1,356,236</b>	<b>4,574,018</b>

**ASF GROUP LIMITED**  
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**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	Economic Entity	
	31.12.2006	31.12.2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	12,487,541	-
Payments to suppliers and employees	(13,381,861)	(764,755)
Interest received	47,302	-
Interest paid	(41,498)	-
Sundry income received	16,820	-
Income tax paid	(176)	-
Net cash provided by (used in) operating activities	<u>(871,872)</u>	<u>(764,755)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(3,986)	-
Cash acquired on acquisition of subsidiary	1,196,811	-
	<u>1,192,825</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	305,000
Proceeds from borrowings	600,000	50,000
Repayment of borrowings	(544,926)	-
Net cash provided by (used in) financing activities	<u>55,074</u>	<u>355,000</u>
Net increase/decrease in cash held	376,027	(409,755)
Cash at beginning of period	166,842	446,422
Effect of exchange rates on cash holdings in foreign currencies	(62,200)	-
Cash at end of period	<u>480,669</u>	<u>36,667</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**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 2006 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*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period. 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.

**NOTE 2: PROFIT/(LOSS) FROM ORDINARY ACTIVITIES**

All significant revenue and expense items for the period are disclosed on the face of the income statement. The net loss result of the consolidated entity of \$467,764 was due to the overall expenditure in set-up costs in establishing the new business units of the Company including property infrastructure for China sales, systems and commencement of marketing of our PRDnationwide business in China and our resource projects.

**NOTE 3: ACQUISITION OF SUBSIDIARIES**

Pursuant to a share and sale agreement dated 30 June 2006 (as amended on 1 July 2006) ASF Group Limited acquired a 40% controlling interest in ASF Macau Multinational Holdings Limited (formerly Aim Jumbo Limited) for a consideration of \$1.3m which owns 100% of a well established Macau based travel agency, the Multinational Youth Travel Agency Company Limited (MYTA) and 100% of Guangdong Great Scenery International Travel Service Limited (GGSIT). These entities were consolidated effective 1 July 2006 on the basis of board control and majority voting power.

ASF Resources Pty Ltd was incorporated during the period for a nominal consideration to play a role in facilitating joint ventures with our China partners and investments in Australia's resource projects.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

**NOTE 4: SEGMENT INFORMATION**

**Geographical segments**

During the period, the consolidated entity operates predominantly in two business segments being

- the sale of travel and travel-related services and products in Macau, Hong Kong and Southern China
- the sale of sub-licenses and property-related services and products in Australia and China

**NOTE 5: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date

**NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE**

On March 9, 2007 the Company entered into an Agreement with a Perth based exploration company, to acquire 7 Exploration Licenses over mineral tenement areas at Ellendale South, West Kimberley, Western Australia.

The Ellendale tenements cover approximately 2,000 km<sup>2</sup> in the Kimberley area, well known for its mineral and diamond deposits. This is the most extensive area held in West Kimberley Lamproite Province, being one of the largest lamproite provinces in the World and home to successful diamond mines.

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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 12:
  - 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 2006 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.

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



**Min Yang**, Director

Dated this 5<sup>th</sup> day of April 2007

**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 2006. 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 2006.

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.

**Review Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ASF Group Limited is not 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 2006 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: 5<sup>th</sup> April 2007

**Sydney**

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Telephone: (02) 4721 8144  
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**Partners**

Robert Elliott  
Geoffrey McDonald  
Drew Townsend  
David Kenney  
Richard Albarran  
Gino Malacco  
Paul Leroy

**Associates**

Steven Gladman  
Mitchell Ball  
Blair Pleash  
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