

ASF GROUP LIMITED

ABN: 50 008 924 570

And Controlled Entities

Interim Financial Report

ASF GROUP LIMITED
ABN 50 008 924 570
AND CONTROLLED ENTITIES

Interim Financial Report

Appendix 4D
Half-year report

ASF GROUP LIMITED

ABN

50 008 924 570

Half Year ended

31 December 2007

Results for announcement to the market

\$ '000

2.1 Revenue	Up	2.5%	to	13,592
2.2 Profit from ordinary activities after tax attributable to members	Up	(1,331)	to	(1,467)
2.3 Net profit for the period attributable to members	Up	(1,331)	to	(1,467)
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 2007	31 December 2006		
	0.63c	0.103c		

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DIRECTORS' REPORT

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2007.

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
Mr Alex Lao	Director	Appointed 30 November 2006
Wai Sang Ho	Director	Appointed 30 November 2006
Mr Geoff Baker	Director	Appointed 30 November 2006
Mr Alan Humphris	Director	Appointed 05 September 2007

Review of Operations

The ASF Group Limited recorded consolidated gross revenue for the half year ending 31 December 2007 of \$13,592,321 a 2.5% increase on the same period last year. The net loss for the half year ending 31 December 2007 was \$1,466,595 reflecting the Company's new activities after restructuring through calendar year 2007.

Overview

As at 31 December 2007 the Company had successfully completed its restructure and recapitalisation raising \$2,546,450 in new subscriptions for 10,185,800 ordinary shares under its 2007 Prospectus in anticipation of being reinstated on the Australian Securities Exchange early in 2008.

In this first 6 months of the 2007-08 financial year gross revenue of the Group has been growing through revenues from MYTA, the Macau Travel Group controlled by the Company and also through the continuing development of the Properties division where revenue from the Company's international property marketing has commenced to flow.

MYTA had a half year turnover of approximately \$13,436,268 and its performance is now reflected fully in the consolidated performance in the current financial year.

The 2007 Annual General Meeting ("AGM") of shareholders was held on 8 November 2007. At the AGM a number of resolutions were passed including:

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- Consolidation of the Company's shares on a ratio of 1 share for every 10 shares held;
- Issuing shares under a Prospectus to raise new capital and for the re-quotation.

First Half Year

Mineral Resources

- The Company's six Exploration Licences, one Prospecting Licence and two Exploration Licence Applications in the Canning Basin of W.A, prospective for coal and diamonds are being studied and preliminary exploration work commenced in conjunction with some of our Chinese partners.
- Two Exploration Licences that were applied for in or adjacent to the Mt Read volcanic region of Tasmania, prospective for base metals were granted.
- The Company assessed mining opportunities in Mongolia.

Property Services

- Two international property exhibition centres were established and now operating in China to assist in the marketing of property projects in Shanghai and Guangzhou.
- Marketing of Australian property in China commenced under the 'Aushome' name.
- Work was undertaken with our Advisors on the establishment of an Australian based property trust which will invest in property projects in China.

Travel Services

- ASF's 40% owned and managed, travel services' company (MYTA), based in Macau recorded a satisfactory profit for the half year.

Ventures

- Our venture capital company continues to assess investment opportunities between Australia and China.

Events Subsequent to Balance Date.

On January 18, 2008 the Company issued 10,185,800 shares and raised \$2,546,450.00.

On 30 January, 2008 the company announced that CITIC International Assets Management Limited (CIAM) had emerged as a 4.68% shareholder of ASF. CIAM is a Hong Kong based asset management and direct investments company which is owned 40% by CITIC International Financial Holdings Limited, its largest shareholder. CITIC International Financial Holdings Limited is majority owned by CITIC Group of Beijing and is the financial flagship of CITIC outside of mainland China.

On January 29, 2008 the Company's securities became re-quoted on the Australian Securities Exchange.

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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 2007.

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.

Min Yang

Chairman

29th February 2008

ASF GROUP LIMITED AND CONTROLLED ENTITIES
ABN 50 008 924 570

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2007 there have been:

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

Hall Chadwick
Level 29, 31 Market Street
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DREW TOWNSEND
PARTNER
Date: 29 February 2008

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David Kenney
Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman

Associates
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 2007

	Economic Entity	
	31.12.2007	31.12.2006
	\$	\$
Sales Revenue	13,592,321	13,260,104
Cost of Sales	(12,236,450)	(12,251,472)
Gross Profit	1,355,871	1,008,632
Marketing expenses	(152,439)	(53,784)
Consultants expenses	(647,925)	-
Occupancy expenses	(205,204)	(296,324)
Professional fees	(206,958)	(286,061)
Administrative expenses	(477,703)	(180,385)
Employment expenses	(486,532)	(391,918)
Corporate expenses	(81,182)	(70,000)
Depreciation and amortisation	(114,586)	(158,867)
Legal expenses	(244,452)	(31,178)
(Loss) before income tax	(1,261,109)	(459,885)
Income tax expense	(8,543)	(7,879)
(Loss) for the Year	(1,269,652)	(467,764)
Profit attributable to minority equity interest	(196,942)	(161,450)
(Loss) attributable to members of the parent entity	(1,466,595)	(629,214)
Basic & diluted earnings/(loss) per share (cents per share)	(0.12)	(0.0441)

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	Economic Entity	
		31.12.2007	30.06.2007
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,805,084	2,066,069
Trade and other receivables		4,458,807	4,806,789
Inventories		253,420	4,672
TOTAL CURRENT ASSETS		9,517,311	6,877,530
NON-CURRENT ASSETS			
Trade and other receivables		358,159	247,360
Plant and equipment		500,181	620,683
Other Non Current Assets		265,304	180,531
Intangible Assets		3,240,616	3,240,616
TOTAL NON-CURRENT ASSETS		4,364,260	4,289,190
TOTAL ASSETS		13,881,571	11,166,720
CURRENT LIABILITIES			
Trade and other payables		7,345,994	4,134,132
Financial liabilities		2,130,940	2,084,400
Current tax liabilities		10,343	1,460
TOTAL CURRENT LIABILITIES		9,487,277	6,219,992
NON-CURRENT LIABILITIES			
Other payables		226,600	-
TOTAL NON-CURRENT LIABILITIES		226,600	-
TOTAL LIABILITIES		9,713,877	6,219,992
NET ASSETS		4,167,694	4,946,728
EQUITY			
Issued capital		39,610,891	39,010,891
Reserves		(551,244)	(441,863)
Accumulated Losses		(36,608,374)	(35,141,779)
Parent entity interest		2,451,273	3,427,249
Minority equity interest		1,716,421	1,519,479
TOTAL EQUITY		4,167,694	4,946,728

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Economic Entity	Issued Capital Ordinary \$	Accumulated Losses \$	Foreign Currency Translation Reserves \$	Minority Equity Interests \$	Total \$
Balance at 1.7.2006	37,596,291	(33,600,366)	-	-	3,995,925
Loss attributable to members of parent entity		(629,214)	-	-	(629,214)
Minority equity Interest recognised on acquisition				1,194,786	1,194,786
Profit attributable to minority shareholders				161,450	161,450
Revaluation increment			(148,929)		(148,929)
Balance at 31.12.2006	37,596,291	(34,229,580)	(148,929)	1,356,236	4,574,018
Balance at 1.7.2007	39,010,891	(35,141,779)	(441,863)	1,519,479	4,946,728
Shares issued	600,000				600,000
Loss attributable to members of parent entity		(1,466,595)			(1,466,595)
Profit attributable to minority shareholders				196,942	196,942
Revaluation Increment			(109,381)		(109,381)
Balance at 31.12.2007	39,610,891	(36,608,374)	(551,244)	1,716,421	4,167,694

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CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Economic Entity		
	Note	31.12.2007	31.12.2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		13,760,025	12,487,541
Payments to suppliers and employees		(13,677,408)	(13,381,861)
Interest received		39,321	47,302
Interest paid		(86,247)	(41,498)
Sundry income received		29,960	16,820
Income tax paid		340	(176)
Net cash provided by (used in) operating activities		65,991	(871,872)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments (receive) for plant and equipment		4,611	(3,986)
Loss on sale of property, plan and equipment		(1,305)	-
Cash acquired on acquisition of subsidiary		-	1,196,811
Net cash provided (used) by investing activities		3,306	1,192,825
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		600,000	-
Share application funds received		2,506,450	600,000
Repayment of borrowings		-	(544,926)
Net cash provided by (used in) financing activities		3,106,450	55,074
Net increase/(decrease) in cash held		3,175,747	376,027
Cash at beginning of period		981,669	166,842
Effect of exchange rates on cash holding in foreign currencies		-	(62,200)
Cash at end of period	1	4,157,416	480,669

Note: 1: Of the closing cash on hand to 31 December 2007, A\$2,506,450 represents cash held on trust in relation to funds raised for shares issued subsequent to balance date.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

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, Australian Accounting 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 2007 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 have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2007 financial report.

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 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.

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.

The net loss after income tax for the consolidated entity for the period to 31 December 2007 was \$1,466,595.

The Directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis because:-

- a) Included in the current liabilities is an amount owed to Goldchoice Investment Limited of \$1 million under a Convertible Loan Facility established on 1 July 2006, the maturity date for which has been extended to 30 June 2008. Goldchoice has given notice to the Company that it intends to convert all of the outstanding loan to equity under the terms of the Facility on or before 30 June 2008; and
- b) The Company's businesses, other than travel, are early stage businesses and future net revenues of the Company are projected to increase;
- c) The Company had cash reserves of approximately \$2 million as at 31 December 2007 and Goldchoice Investment Limited has advised the Company that, if the Company determines to raise further capital during 2008, Goldchoice would wish to seek the opportunity to participate subject to the nature of this capital raising and the proposed terms.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NOTE 1: BASIS OF PREPARATION

(b) Consolidation

A controlled entity is any entity that ASF Group Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. On this basis the financial statements of the Company's 40% owned Macau based travel agency business has been consolidated. The Directors note that the auditor's review report for this half-year report includes a qualification concerning revenue from the travel agency business. The Directors are addressing this accounting issue with a view to resolving the matter prior to compilation of the current year end financial statements.

NOTE 2: LOSS FOR THE PERIOD

All significant revenue and expense items for the period are disclosed on the face of the income statement.

NOTE 3: DIVIDENDS

There are no dividends provided for the period.

NOTE 4: ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND RESTRUCTURING

	Consideration (A\$)	Domicile	2007 (%)
Following new subsidiaries were set up during the period:			
ASF CRCC Resources Pty Ltd	100	Australia	100%
ASF Mongolian Resources Pty Ltd	100	Australia	100%
ASF (Beijing) Investment Consulting Co Ltd	34,238	China	100%
ASF Properties (Guangzhou) Co Ltd	17,301	China	100%
ASF Ventures Ltd	769	BVI	50%

As to the end of the reporting period, there are no businesses activities commenced in all above entities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NOTE 5: SEGMENT INFORMATION

Primary Reporting — Business Segments

The economic entity operates in the following business segments:

	Property Marketing and Services	Mineral and Resources	Travel Services	Venture and Financial Services	Elimination	Total
	\$	\$	\$	\$	\$	\$
(a) 31 Dec 2007						
Total Revenue	86,772	-	13,505,549	-	-	13,592,321
Segment result	31,960	(58,914)	328,237	(1,570,935)	(196,942)	(1,466,595)
(b) 31 Dec 2006						
Total Revenue	200,000	-	13,060,104	-	-	13,260,104
Segment result	195,003	(2930)	269,083	(928,920)	(161,450)	(629,214)

The economic entity operates in the following geographical segments:

	Australia	Asia	Eliminations	Total
	\$	\$	\$	\$
(a) 31 Dec 2007				
Total Revenue	86,772	13,505,549	-	13,592,321
Segment result	(1,597,890)	328,237	(196,942)	(1,466,595)
(b) 31 Dec 2006				
Total Revenue	200,000	13,060,104	-	13,260,104
Segment result	(736,847)	269,083	(161,450)	(629,214)

NOTE 6: CONTINGENT LIABILITIES

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

On January 18, 2008 the Company issued 10,185,800 shares and raised \$2,546,450.00.

On January 29, 2008 the Company's securities became re-quoted on the Australian Securities Exchange.

On 30 January, 2008 the company announced that CITIC International Assets Management Limited (CIAM) had emerged as a 4.68% shareholder of ASF. CIAM is a Hong Kong based asset management and direct investments company which is owned 40% by CITIC International Financial Holdings Limited, its largest shareholder. CITIC International Financial Holdings Limited is majority owned by CITIC Group of Beijing and is the financial flagship of CITIC outside of mainland China.

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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 14:
 - 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 2007 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
Chairman

Dated this 29th day of February 2008

**ASF GROUP LIMITED
AND ITS CONTROLLED ENTITIES
ABN 50 008 924 570
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ASF GROUP AND ITS CONTROLLED ENTITIES**

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of ASF Group Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ASF Group Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of ASF Group and Controlled Entities on 29 February 2008, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Basis for Qualified Conclusion

Revenue from travel agency businesses

Included in the income statement is revenue earned from the group's travel agency businesses in Macau and Guangdong amounting to \$13,436,268. We have been unable to determine whether this revenue has been correctly recorded in accordance with AASB 118 "Revenue", which requires revenue to be disclosed as commission where an agency relationship exists. We have been unable to obtain all information and explanations we require in order to satisfy ourselves as to whether an agency relationship exists in relation to some or all of the revenue from these businesses by alternative review procedures.

In addition, the amount of receivables and payables in relation to the group's travel agency businesses are shown as a gross amount reflecting all asset and liabilities owed from or to third parties. Some of these amounts may reflect transactions on a gross basis which may have been undertaken as an agent.

Whilst this will not have any impact on the group's gross profit, the revenue for the group may be overstated by up to \$13,436,268 and cost of sales overstated by up to \$12,149,217. Also the receivables and payables may be overstated as they would reflect the gross balance in relation to the possible agency transactions. The balance of receivables and payables at 31 December 2007 in relation to this business was \$ 2,890,702 and \$ 2,948,208 respectively.

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**ASF GROUP LIMITED
AND ITS CONTROLLED ENTITIES
ABN 50 008 924 570
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ASF GROUP AND ITS CONTROLLED ENTITIES**

Deposits Paid

Included in Trade and other receivables in the balance sheet is an amount owed by a hotel operator in the travel agency business in Macau for prepaid hotel rooms amounting to \$ 778,532. We have been unable to obtain all necessary information to satisfy ourselves as to the accuracy of this balance.

Goodwill

Included in Intangible Assets in the balance sheet is goodwill relating to the acquisition of the Macau travel agency business amounting to \$ 640,626. Although the directors have provided discounted cash flow projections to support the carrying value of this business, we have been unable to satisfy ourselves as to the basis of the underlying assets upon which the discounted cash flow projections are based.

Included in Intangible Assets in the balance sheet is goodwill relating to the acquisition of the real estate business amounting to \$ 2,599,990. Although the directors have provided discounted cash flow projections to support the carrying value of this business, we have been unable to obtain the necessary information to satisfy ourselves as to whether the company has ability to enable it to meet these projections.

Qualified Conclusion

Based on our review, which is not an audit, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters referred to in the preceding paragraphs, we have not become aware of any matter that makes us believe that the half year financial report of ASF Group Limited and Controlled Entities is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001

Without further qualification to the conclusion expressed above, attention is drawn to the following matter:

Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 1 (a) in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,466,595 during the period ended 31 December 2007. Note 1 (a) also states the directors' reasons for the financial report being prepared on going concern basis. Should the company not achieve the matters as set forth in Note 1 (a) there is significant uncertainty about the company's ability to continue as a going concern

Hall Chadwick
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Drew Townsend

Partner
Date: 29 February 2008