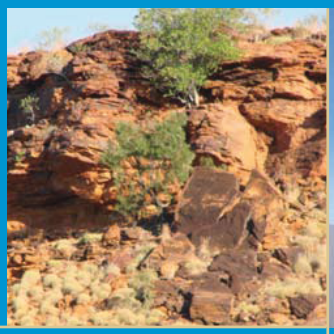
mining | property | travel | investments

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




# annual report 2008



Bridging business between Australia & China

ASF

# CONTENTS

# CORPORATE DIRECTORY

ASF Group Limited's ("the Company") shares are quoted on the official list of the Australian Stock Exchange Limited.

The ASX code for the Company's ordinary fully paid shares is "AFA".

## Directors

Ms Min Yang, Director and Chairman

Mr Alex Lao, Vice Chairman/Non-Executive Director

Mr Quan (David) Fang. Director

Mr Wai Sang Ho, Non-Executive Director

Mr Geoff Baker, Non-Executive Director

Mr Alan Humphris, Non-Executive Director

## Company secretary

Mr Tony Sin Pyng Teng

## Registered office and principal place of business

Suite 2/ 3B Macquarie Street
Sydney NSW 2000
Telephone: 02 9251 9088
Internet: www.asfgroupltd.com
Facsimile: 02 9251 9066
Email: info@asfgroupltd.com

## Share Registry

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000

## Home Exchange

Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

## Auditors

Hall Chadwick
St Martins Tower
Level 29, 31 Market Street
Sydney NSW 2000

## Solicitors

Deacons, Lawyers
Level 8, 1 Alfred Street
Sydney NSW 2000

## Bankers

Australian & New Zealand Banking Group Limited
68 Pitt Street
Sydney NSW 2000

# CHAIRMAN'S REPORT TO SHAREHOLDERS

Dear Shareholder,

It is with pleasure that the directors present the 2008 Annual Report of ASF Group Limited and its controlled entities ('the consolidated entity").

For the financial year ended 30 June 2008, the consolidated entity's operating revenue for the financial year is $19,941,109 (FY07: $20,117,000). The net loss after adjusting for minority interest is $4,516,427 (FY07: $1,541,413).

After a period of restructuring, the Company issued a prospectus during the year and re-quoted its shares on the ASX on 29 January 2008. The Company has continued to develop while its activities, other than its investment interest in the Macau based travel business, Macau Multinational Youth Travel Agency Limited, are in the developmental stage.

The Company's strategy is to add shareholder value in the short to medium term by further development of its existing assets and activities, particularly in resources and property.

The Company continued to improve its performance in its property division under the Aushome name and with the marketing of property development projects at our two international property exhibition centres in China. The property business showed improvement during the year but did not record a profit after the allocation of overhead costs

In the current year we are concentrating on adding value to the Company's mineral tenements, particularly those in the Canning Basin of Western Australia where our preliminary work during the year under review suggested that large amounts of relatively shallow coal are present. We are excited by this prospect and are currently preparing a work program of exploration for the Canning Basin tenements and are in discussions with potential partners who may become involved in the program. The objective of the program is to establish a large mineable resource of thermal coal.

In early 2008 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. The Company establishing an Australian pavilion for the promotion of bilateral investment and trade at CIFIT held on 8-11 September 2008 in Xiamen attracting considerable interest from Chinese investors looking to invest in Australia,

In June 2008, the Company entered into an agreement with Guangzhou Zhongsai Investment Consulting Co Ltd ('Zhongsai') under which Zhongsai (or its nominees) will subscribe for new shares in the Company at an issue price of 12 cents per share. As at the date of this Report approximately $1.29 million had been subscribed for shares under the agreement which expires on 15 October 2008.

We plan to expand the board of the Company and at the forthcoming Annual General Meeting a representative of Zhongsai and a representative each of CITIC International Assets Management Limited ('CIAM') and Goldenray Consortium(S)Pte Ltd will be standing for election as directors. CIAM emerged as a 4.68% shareholder of the Company in January 2008.

The directors extend their appreciation to all our partners and team members for their efforts during the year, our shareholders and valued clients.

Yours sincerely,

Min Yang
Chairman
30 September 2008

# CORPORATE GOVERNANCE STATEMENT

ASF is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations' (First edition March 2003) for the entire FY08 financial year. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this has been identified and explained below.

| | | Complied | Note |
|---|---|---|---|
| 1.1 | Formalise and disclose the functions reserved to the Board and those delegated to management | Yes | 1 |
| 2.1 | A majority of the Board should be independent directors'. | No | 2 |
| 2.2 | The chairperson should be an independent director | No | 3 |
| 2.3 | The roles of chairperson and chief executive officer should not be exercised by the same individual | No | 4 |
| 2.4 | The Board should establish a nomination committee | No | 5 |
| 2.5 | Provide the information indicated in Guide to Reporting on Principle 2 | Yes | |
| 3.1 | Establish a code of conduct to guide the directors, the chief executive officers, the chief financial officer and another other key executives as to:<br>• the practices necessary to maintain confidence in the company's integrity<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | Yes<br>Yes<br>Yes | 6 |
| 3.2 | Disclose the policy concerning trading in company securities by directors, offices and employees | Yes | 7 |
| 3.3 | Provide the information indicated in Guide to Reporting on Principle 3. | Yes | |
| 4.1 | Require the chief executive officer and the chief financial officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. | Yes | |
| 4.2 | The Board should establish an audit committee. | No | 8 |
| 4.3 | Structure the audit committee so that it consists of<br>• only non-executive directors<br>• a majority of independent directors<br>• an independent chairperson, who is not chairperson of the Board<br>• at least three members | No | 8-9 |
| 4.4 | The audit committee should have a formal charter | No | 9 |
| 4.5 | Provide the information indicated in Guide to Reporting on Principle 4 | Yes | |
| 5.1 | Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies | Yes | 10 |
| 5.2 | Provide the information indicated in Guide to reporting on Principle 5. | Yes | |
| 6.1 | Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings | Yes | 11 |
| 6.2 | Require the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. | Yes | |
| 7.1 | The Board or appropriate Board committee should establish policies on risk oversight and management. | Yes | 12 |

# CORPORATE GOVERNANCE STATEMENT (continued)

| | | | |
|---|---|---|---|
| 7.2 | The chairman and the chief financial office should state to the Board in writing that:-<br>• the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board<br>• the company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects. | Yes<br>Yes | |
| 7.3 | Provide the information indicated in Guide to reporting on Principle 7. | Yes | |
| 8.1 | Disclose the process for performance evaluation of the Board, its committee and individual directors, and key executives | Yes | 13 |
| 9.1 | Provide disclosure in relation the company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to directors and key executives and corporate performance. | Yes | 14 |
| 9.2 | The Board should consist of a remuneration committee | No | 15 |
| 9.3 | Clearly distinguish the structure of non-executive directors' remuneration from that of executives | Yes | |
| 9.4 | Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. | Yes | |
| 9.5 | Provide the information indicated in Guide to reporting on Principle 9. | Yes | |
| 10.1 | Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stockholders. | Yes | 16 |

**Notes**

1. The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company.

   The key responsibilities of the Board are:-
   - the oversight of the Company, including its control and accountability systems;
   - establishing, monitoring and modifying corporate strategies and performance objectives;
   - ensuring that appropriate risk management systems, internal compliance and control, reporting systems, codes of conduct, and legal compliance measures are in place;
   - monitoring the performance of management and implementation of strategy, and ensuring appropriate resources are available;
   - approving and monitoring of financial and other reporting;
   - approving dividends, major capital expenditure, acquisitions and capital raising/restructures;
   - appointment and removal of Directors, Company Secretary and senior management.

   The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations.

2. While the majority of the board members are not independent directors, the board believes that the people on the board can and do make independent judgments in the best interests of the Company at all times
3. The chairperson is an executive director and therefore is not an independent director. The Board believes, that even thought the chairperson is not an independent director, the chairperson is able to make quality and independent judgement on all relevant issues falling within the scope of the role of a chairman.

# CORPORATE GOVERNANCE STATEMENT (continued)

The Company will work towards this principle, however at this time while the Company is in the development phase, the Board believes it is not appropriate to meet this criterion**.**

4. The roles of chairperson and chief executive officer is currently exercised by the by the same individual which is believed to be appropriate at this stage in the Company's development.

5. The Company does not have a nomination committee as the size of the company and the Board does not warrant such a committee. All Board nomination matters are considered by the whole Board.

   The Board oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's executive management team. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the required skills.
   The Board annually reviews the effectiveness of the functioning of the Board, individual directors, and senior executives.

6. The consolidated entity recognises the need for directors and employees to observe the highest standards of behaviour and business ethics. All directors and employees are required to act in accordance with the law and with the highest standard of propriety.

   A code of contact has been developed and approved by the Board a copy of which can be found on the Company's website (http://www.asfgroupltd.com).

7. The Company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices

8. The Company has not established an Audit Committee and the Board performs this role. The Board advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. After expansion of the number of Directors, the Board intends to establish an Audit Committee**.**

   Currently the Board:
   - reviews the annual, half-year and concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
   - assesses whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
   - assesses the adequacy of the internal control framework and the Company's code of ethical standards;
   - discusses the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
   - monitors the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
   - addresses any matters with the auditors, Australian Taxation Office, Australian Securities and Investments Commission, and ASX;
   - reviews the nomination and performance of the external auditor. The current external auditor was appointed at the Company's 2005 General Meeting; and
   - reviews and approves corporate governance policy

9. The company the Board intends to establish an Audit Committee with an independent chairman and a majority of independent directors and is in the process of preparing a formal charter of the proposed audit and risk management committee covering the areas as set out in note 8.

# CORPORATE GOVERNANCE STATEMENT (continued)

10. The Company has established procedures designed to ensure compliance with the ASX Listing Rules so that company announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

    Established policies which can be viewed on the company's website also ensure accountability at a senior management level for ASX compliance. The Board approves all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

11. The Company has a communications strategy and an established policy on stakeholder communication and continuous disclosure to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting commercial information.

    The Company's policy on communication with shareholders is set out in the company's 'Policy on stakeholder communication and continuous disclosure' which can be viewed on the Company's website

12. The Board has established policies on risk oversight and management which can be viewed on the Company's website. To carry out this function the Board:

    - oversees the establishment, implementation, and annual review of the Company's risk management system, including assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity;
    - reviews the financial reporting process of the Company;
    - discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
    - reviews with the external auditor any audit problems and the Company's critical policies and practices; and
    - reviews and assesses the independence of the external auditor.

    Systems of internal financial control have been put in place by the management of the Company and are designed to provide reasonable, but not absolute protection against fraud and material misstatement. These controls are intended to identify, in a timely manner, control issues that require attention by the Board.

    The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

    Practices have been established to ensure:

    - capital expenditure and revenue commitments above a certain size obtain prior Board approval;
    - financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in the financial statements;
    - occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
    - business transactions are properly authorised and executed;
    - the quality and integrity of personnel; and
    - financial reporting accuracy and compliance with the financial reporting regulatory framework.

13. While no performance evaluation of the Board or management was carried out for the financial year ended 30 June 2008 this is continually monitored by the Chairman and the Board. The chairman also speaks to each director individually regarding their role as a director.

14. The remuneration policy, which sets the terms and conditions for the Chairman and other senior executives has been approved by the Board.

    All executives receive fees and also may receive performance incentives in the form of options. The Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies.

# CORPORATE GOVERNANCE STATEMENT (continued)

Executives may be entitled to participate in the employee share option arrangements within the maximum total number of options as set by shareholders at the 2008 Annual General Meeting.

The criteria used in determining the issue of options to management include achievement of revenue and profit targets, new business generated, loyalty and years of service.

The amount of remuneration of all directors and executives, including all monetary and non-monetary components, is detailed in the Director's Report. All remuneration paid and options issued to executives are valued at a cost to the company and expensed. Options are valued using the Black-Scholes methodology

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

15. Due to the size of the Board the company does not have a remuneration committee. The functions normally carried out by such a committee are currently handled by the whole Board as discussed in note 13.
16. The Company has adopted a code of conduct to guide compliance with legal and other obligations to stakeholders of the Company which may be accessed on the Company's website. This code provides guidance to directors and management on practices necessary to maintain confidence in the integrity of the Company

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# DIRECTORS' REPORT

**The directors of ASF Group Limited present their report on the Company and its controlled entities for the financial year ended 30 June 2008.**

## Directors

The names of directors in office at any time during or since the end of the year are:-

**Ms Min Yang**

Director and Chairman

*Experience*: Appointed a director on 9 September 2005 and Chairman on 16 February 2006. Min Yang has extensive business connections in the Asia Pacific region including greater China. Min Yang has been involved in businesses and transactions across a number of sectors including resources, telecommunications, property, travel and media.

*Interest in shares:* 21,096,500 ordinary shares in ASF Group Limited held directly and indirectly by a related entity.

**Mr Alex Lao**

Vice Chairman/Non-Executive Director

*Experience*: Appointed as Vice Chairman and non-executive director effective 30 November 2006. Mr Lao is Managing Director of ASF Macau Multinational Holdings Limited in charge of the operations in Multinational Youth Travel Agency Limited.

Mr Lao resides in Macau where he has business interests in the property, travel and retail industries and is Chairman of the Macau Travel Agency Association.

*Interest in shares:* 12,928,000 ordinary shares in ASF Group Limited.

**Mr Quan (David) Fang**

Director

*Experience*: Appointed a director on 9 September 2005.
David Fang was born in Shanghai. He has extensive business experience, particularly in property development and sales, hotel businesses and investments.

*Interest in shares:* 20,820,000 ordinary shares in ASF Group Limited held directly and indirectly by a related entity.

**Mr Wai Sang Ho**

Non-Executive Director

Experience: Appointed a Non–Executive director on 30 November 2006.

Mr Ho is a Hong Kong resident and large property developer in Southern China. He has substantial property interests in Hong Kong and China and is a major shareholder in the Company,

*Interest in shares:* 8,333,333 ordinary shares in ASF Group Limited.

**Mr Geoff Baker**

Non-Executive Director

*Qualifications:* Geoff Baker is a qualified lawyer in Australia and Hong Kong with a Commerce degree (Accounting and Financial management), a Law degree and MBA.

Experience: Appointed a director on 30 November 2006.

Geoff Baker assists in the international operations of the Group. He joined the Company after practising extensively for 28 years as a lawyer in Australia, Japan, Asia and China.

*Interest in shares: 5,234,517* ordinary shares in ASF Group Limited held by a related entity.

**Mr Alan Humphris**

Non-Executive Director

Qualifications: Alan Humphris holds degrees in science, economics and law and is an FCPA.

*Experience:* Appointed a Non-Executive director on 5 September 2007.

Alan Humphris is an investment banker with more than 30 years experience in Australian and international markets. He is Managing Director of Balmoral Capital Pty Limited, an investment banking firm specialising in providing corporate advisory services which he founded in 1997.

*Other current directorships:* Alan Humphris is a non-executive director of Rey Resources Limited.

*Interest in shares:* 700,000 ordinary shares in ASF Group Limited held directly and by a related entity.

**Mr Tony Sin Pyng Teng**
*Director*

Appointed a director on 16 July 1997 and resigned as a Director on 31 August 2007.

## Company Secretary

**Mr Tony Sin Pyng Teng**
*Qualifications:* Mr Teng is a Certified Practising Accountant, a Fellow of the Australian Institute of Company Directors and an Associated Fellow of the Australian Institute of Management.

*Interest in shares:* 179,161 ordinary shares in ASF Group Limited

## Earnings per share

| | cents |
|---|---|
| Basic earnings per share | (2.63) |
| Diluted earnings per share | (2.41) |

## Corporate structure

ASF Group Limited is a listed public company, limited by shares, that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

## Principal activities

During the year the principal continuing activities of the Group consisted of:-

- Mineral Resources
- Property Marketing and Services
- Travel Services
- Investments

There were no changes in the Group's principal activities during the course of the financial year.

## Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

(a) After a period of restructuring, the Company issued a prospectus during the year and re-quoted its shares on the ASX on 29 January 2008;

(b) An increase in contributed equity of $4,089,112 of which $2,775,450 was the net proceeds of share issues and $1,313,661 share based payments. Net cash received was used principally as working capital. Details of this increase are set out in note 20; and

(c) On 20 June 2008 the Company made a placement of 1,666,666 ordinary shares at an issue price of 12 cents per share to nominees of Guangzhou Zhongsai Investment Consulting Co Ltd ("Zhongsai") to raise $200,000 for working capital purposes

## Dividends

No dividends have been declared in the 2008 financial year (2007: no dividend declared).

## Review of operations, financial position, business strategies and prospects

For the financial year ended 30 June 2008, the consolidated entity's operating revenue is $19,941,109 (FY07: $20,117,000). The revenues were down 0.87% for the 2008 year compared with the previous corresponding period, mainly as a result of the effect of the stronger Australian dollar on the Macau based travel business.

The net loss attributable to members of the consolidated entity after income tax and adjusting for minority interest is $4,516,427 (FY07: loss of $1,541,413). The loss is after the write-down of goodwill by $999,990 relating to the property business and after $1,313,661 was expensed in relation to a total of 5,254,645 shares issued in share based payments.

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.

ASF Group Limited operates from its Sydney head office and across China with offices in Beijing, Shanghai, Guangzhou, Hong Kong and Macau. In addition the directors and senior management have extensive experience in dealing in China and operating businesses in Australia.

The Company's activities are summarised, below:

**Mineral Resources**

- Canning Basin, W.A.

  The Company undertook a program of mapping and collation of all historic exploration work relevant to coal occurrences on the six Exploration Licences and one Prospecting Licence that are wholly owned by the Company, in the second half-year. The Company is encouraged by the possible extent of coal occurrences in the tenements and also by the results being obtained by another listed company in assessing its coal deposits on nearby Canning Basin tenements. Discussions were commenced with both local and Chinese companies concerning co-operation to advance the assessment of coal in the Company's tenement areas.

- Tasmania

  During the second half, the Company's consultant geologist carried out a detailed review of prior exploration on the Company's three exploration licences in western Tasmania. One of the exploration licences was granted during the year.

  Discussions have commenced with Chinese mining groups, two of which have made site visits, concerning possible exploration joint ventures.

**Property Services**

Operations continued satisfactorily with the marketing and sale of Australian property under the Aushome name and with the marketing of property development projects at the Company's two international property exhibition centres in China.

The proposed Australian based property trust to invest in property projects in China continued to be assessed in the prevailing financial environment. The property business segment has not yet reached profitability after overhead allocation.

**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 profit for the year. The business has been consolidated for accounting purposes during the year as a result of it being controlled by the Company. However, the Company relinquished control of the MYTA as part of a streamlining of management arrangements and, accordingly, is equity accounting the investment effective from 1 July 2008.

**Investment**

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 12$^{th}$ 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.

Other investment opportunities are under review.

## After balance date events

On 8 July 2008 the company announced the following changes in relation to its 40% holding in ASF Macau Multinational Limited (ASF MML) which in turn owns 100% of the Macau based travel company, Multinational Youth Travel Agency Limited (MYTA).

ASF Group Limited relinquished Board control of ASF MML effective on and from 1 July 2008 but retains its 40% shareholding. The Company's co-shareholder in this business, Mr Alex Lao, who is currently Chairman of MYTA and who is an experienced travel business operator, has assumed Board and management control of ASF MML.

As a result of the change of control arrangements, ASF Group Limited has been equity accounting its effective 40% interest in MYTA from 1 July 2008. Previously MYTA was consolidated in ASF Group Limited accounts as a controlled entity.

Pursuant to an agreement signed in June 2008 with Zhongsai, as amended, Zhongsai or its nominees can subscribe up to an additional $2.8 million in the Company's shares at an issue price of 12 cents per share prior to expiry of the agreement on 15 October 2008. Subscriptions amounting to approximately $1.09 million were received in September as at the date of this Annual Report.

## Environmental regulations

The consolidated entity's operations other than in respect of proposed mineral exploration activities are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Indemnifying and insurance of directors and officers

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been a director or officer of the Company.

The Company in the 2008 financial year did not have directors' and officers' liability and legal expenses' insurance policies against liability which may arise from holding the position of Director or Officer. The Board has determined to take out a policy in the 2009 financial year to cover all directors and the company secretary.

## Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of ASF Group Limited.

### Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework;

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

While the Company does not have a remuneration committee, the board of directors is responsible for determining and reviewing compensation arrangements for the directors and the senior management team.

### Remuneration structure

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors, senior executives and consultants.

The Board sets aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders

Directors receive fees for providing consulting services to the consolidated entity.

Executive directors and other executives may receive bonuses based on the achievement of specific performance hurdles. No bonuses were granted during the financial year under review.

### Details of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Parry Disclosures) and specified executives of ASF Group Limited are set out in the following tables

The key management personnel of the Group are the directors of ASF Group Limited and the company secretary, details of which are disclosed on pages 8-9:

**Amounts of Remuneration**

**Key management personnel of the Group**

| 2008 | Base remuneration (Fees and Commission) $ | Related Party Fees $ | Super-annuation $ | Non-cash benefits * $ | Total $ |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| ***Non-executive*** | | | | | |
| Alex Lao | - | - | - | - | - |
| Wai Sang Ho | - | - | - | - | - |
| Geoff Baker | - | 164,000 | - | 1,250,000 | 1,414,000 |
| Alan Humphris | 27,300 | 72,000 | 2,700 | - | 102,000 |
| Tony S P Teng | | 45,000 | | | 45,000 |
| **Non-executive directors** | **27,300** | **281,000** | **2,700** | **1,250,000** | **1,561,000** |
| ***Executive*** | | | | | |
| Min Yang | | 58,800 | - | - | 58,800 |
| David Fang | - | 58,800 | - | - | 58,800 |
| **Executive directors** | **-** | **117,600** | **-** | **-** | **117,600** |

* Non-cash benefits consist of a share-based payment to a related party of Geoff Baker of 5,000,000 shares at a fair value of 25 cents. Further details are provided in Note 32.

| 2007 | Base remuneration (Fees and Commission) $ | Related Party Fees $ | Super-annuation $ | Non-cash benefits $ | Total $ |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| ***Non-executive*** | | | | | |
| Alex Lao | - | - | - | - | - |
| Wai Sang Ho | - | - | - | - | - |
| Tony S P Teng | | 66,000 | - | - | 66,000 |
| **Non-executive directors** | **-** | **66,000** | **-** | **-** | **66,000** |
| ***Executive*** | | | | | |
| Min Yang | - | 58,800 | - | - | 58,800 |
| David Fang | - | 58,800 | - | - | 58,800 |
| Geoff Baker | | 92,600 | | | 92,600 |
| **Executive directors** | **-** | **210,200** | **-** | **-** | **210,200** |

**Group performance**

The following table shows the performance of the Consolidated Group over the past six financial years:-

| FY | Sales Revenue | NPAT/(NLAT) | Basic EPS | Net Equity | NTA per share | Dividends | Average Share Price |
|---|---|---|---|---|---|---|---|
| | $ | $ | Cents | $ | cents | $ | Cents |
| 2003 | 375,000 | (2,494,000) | (0.01) | 11,248,000 | 0.02 | 0 | - |
| 2004 | 674,000 | (15,877,000) | (0.06) | (3,035,000) | 0.01 | 0 | - |
| 2005 | 302,655 | (492,151) | (0.00) | (3,528,022) | 0.01 | 0 | - |
| 2006 | 3,465,995 | 2,643,947 | 0.005 | 3,995,925 | 0.01 | 0 | - |
| 2007 | 20,117,000 | (1,541,413) | (0.11) | 4,946,728 | 0.01 | 0 | - |
| 2008 | 19,941,109 | (4,516,427) | (2.63) | 4,388,212 | 0.01 | 0 | 0.14 |

ASF Group Limited re-quoted its shares on the ASX during the financial year. The Company's activities other than Travel Services are still in the developmental stage and the Group recorded a net loss after tax in the reporting year. There is at present no direct link between remuneration to directors and

earnings except that the directors have decided that payments to directors for services rendered should be kept to a minimum.

**Options**

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**Directors' meetings**

The following table sets out the number of directors' meetings (including meeting of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year 8 board meetings were held.

| | No. of Meetings held whilst in Office | No. of Meetings Attended |
|---|---|---|
| Min Yang | 8 | 8 |
| David Fang | 8 | 8 |
| Alex Lao | 8 | 4 |
| Wai Sang Ho | 8 | 4 |
| Geoff Baker | 8 | 8 |
| Alan Humphris | 7 | 7 |
| Tony S P Teng | 2 | 2 |

**Auditor Independence declaration**

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 14 of the financial report,

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditor imposed by the Corporations Act 2001. The directors are satisfied that the service disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of amounts paid to the auditor, for audit and non-audit services provided during the financial year are set out below

| | 2008 $ | 2007 $ |
|---|---|---|
| ***Other services:*** | | |
| Hall Chadwick | | |
| - Taxation services | 12,500 | 4,350 |
| - Corporate advisory services | 108,020 | 7,300 |
| | 120,520 | 11,650 |

**Proceedings on behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the board of directors.

Min Yang
Chairman

Sydney, 30 September 2008

Hall Chadwick
Chartered Accountants & Business Advisers

**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 DIRECTORS OF ASF GROUP LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have 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, St Martins Tower
31 Market Street, Sydney, NSW 2000

**DREW TOWNSEND**
Partner
Date: 30 September 2008

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Level 29
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Hall Chadwick
Chartered Accountants & Business Advisers

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

***Report on the Financial Report***

We have audited the accompanying financial report of ASF Group Limited (the company) and ASF Group Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Director's Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, 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 Limited on 30 September 2008 would be in the same terms if provided to the directors as at the date of this auditor's report.

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Hall Chadwick

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

***Audit Opinion***

In our opinion:

a. the financial report of ASF Group Limited and ASF Group Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards ( including the Australian Accounting Interpretations ) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(b) to the financial report, which indicates that the group incurred a net loss of $4,516,427 during the year ended 30 June 2008. This condition along with other matters as set forth in Note 1 (b) indicates the existence of a material uncertainty which may cast doubt about the group's ability to continue as a going concern.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 11-12 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

***Auditor's Opinion***

In our opinion, the Remuneration Report of ASF Group Limited for the year ended 30 June 2008 complies with Section 300A of the Corporation Act 2001.

Hall Chadwick
Level 29, 31 Market Street
Sydney, NSW 2000

**DREW TOWNSEND**
Partner
Date: 30 September 2008

# DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 18-42, are in accordance with the Corporations Act 2001 and:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;
2. The Chairman and Chief Finance Officer have given declarations required by section 295A of the 'Corporations Act 2001' that:
   a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   c) the financial statements and notes for the financial year give a true and fair view.
3. The remuneration disclosures set out on pages 11-12 of the directors' report comply with Accounting Standards AASB 'Related Party Disclosures' and the 'Corporations Regulations 2001'; and
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Min Yang
Chairman

Sydney, 30 September 2008

# INCOME STATEMENT

## For the Financial Year Ended 30 June 2008

| | | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 30 June 2008 | 30 June 2007 | 30 June 2008 | 30 June 2007 |
| | Note | $ | $ | $ | $ |
| **Revenue** | | | | | |
| Sales of services | 4(a) | 19,626,045 | 19,973,197 | - | - |
| Cost of providing services | 5 | (16,551,419) | (17,693,984) | - | - |
| **Gross Profit** | | 3,074,626 | 2,279,213 | - | - |
| Other revenue | 4(b) | 315,063 | 143,803 | 41,982 | 9,012 |
| **Expenses** | | | | | |
| Marketing expenses | | (1,009,067) | (504,298) | - | - |
| Consultants | | (1,175,808) | (1,131,596) | - | - |
| Occupancy expenses | | (430,304) | (363,535) | - | - |
| Professional fees | | (187,190) | (153,445) | - | - |
| Administration expenses | | (685,897) | (287,385) | - | - |
| Employment expenses | | (1,031,611) | (759,758) | - | - |
| Corporate expenses | | (67,381) | (20,192) | - | - |
| Depreciation and amortisation | | (219,848) | (270,067) | - | - |
| Legal expenses | | (40,826) | (6,639) | - | - |
| Finance costs | | (212,035) | (169,902) | (483) | - |
| Provision for impairment of goodwill and investments | | (1,000,697) | - | - | - |
| Share based payments expensed | | (1,313,661) | - | (1,313,661) | - |
| Franchise expense | | (200,000) | - | - | - |
| Provision for impairment of receivables | | - | - | (4,381,402) | |
| Other expenses | | (12,217) | (91,096) | - | - |
| **(Loss) before Income Tax** | | (4,196,853) | (1,334,897) | (5,653,564) | 9,012 |
| Income tax expense | 6 | (74,539) | (18,972) | - | - |
| **(Loss) for the year** | | (4,271,392) | (1,353,869) | (5,653,564) | 9,012 |
| Profit attributable to minority equity interest | | (245,035) | (187,544) | - | - |
| **(Loss) attributable to Members of the parent entity** | | **(4,516,427)** | **(1,541,413)** | **(5,653,564)** | **9,012** |
| **Earnings per Share:** | | | | | |
| Basic (cents per share) | 30 | (2.63) | (0.11) | - | - |
| Diluted (cents per share) | 30 | (2.41) | (0.10) | - | - |

*Notes to financial statements are included on pages 22-42*

**ASF Group Limited and Controlled Entities**
**A.B.N. 50 008 924 570**

# BALANCE SHEET
## As at 30 June 2008

| | | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 30 June 2008 | 30 June 2007 | 30 June 2008 | 30 June 2007 |
| | Note | $ | $ | $ | $ |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 7 | 2,618,985 | 2,066,069 | 305,836 | 1,102,541 |
| Trade and other receivables | 8 | 3,844,378 | 2,519,150 | - | 150,000 |
| Inventories | 9 | 10,374 | 4,672 | - | - |
| Other current assets | 10 | 1,668,604 | 2,287,639 | - | - |
| **TOTAL CURRENT ASSETS** | | 8,142,341 | 6,877,530 | 305,836 | 1,252,541 |
| **NON-CURRENT ASSETS** | | | | | |
| Other receivables | 11 | 279,040 | 247,360 | 606,250 | 1,998,992 |
| Plant and equipment | 12 | 376,437 | 620,683 | - | - |
| Financial assets | 13 | - | - | 4,062,999 | 3,900,004 |
| Other non-current assets | 14 | 415,422 | 180,531 | - | - |
| Intangible assets | 16 | 2,240,626 | 3,240,616 | - | - |
| **TOTAL NON-CURRENT ASSETS** | | 3,311,525 | 4,289,190 | 4,669,249 | 5,898,996 |
| **TOTAL ASSETS** | | 11,453,866 | 11,166,720 | 4,975,085 | 7,151,537 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 17 | 3,377,176 | 4,134,132 | - | 612,000 |
| Financial liabilities | 18 | 3,631,905 | 2,084,400 | 1,000,000 | 1,000,000 |
| Current tax liabilities | 19 | 56,573 | 1,460 | - | - |
| **TOTAL CURRENT LIABILITIES** | | 7,065,654 | 6,219,992 | 1,000,000 | 1,612,000 |
| **TOTAL LIABILITIES** | | 7,065,654 | 6,219,992 | 1,000,000 | 1,612,000 |
| **NET ASSETS** | | 4,388,212 | 4,946,728 | 3,975,085 | 5,539,537 |
| **EQUITY** | | | | | |
| Contributed equity | 20 | 43,100,003 | 39,010,891 | 43,100,003 | 39,010,891 |
| Reserves | 21 | (686,321) | (310,084) | - | - |
| Retained losses | | (39,710,917) | (35,194,491) | (39,124,918) | (33,471,354) |
| Parent entity interest | | 2,702,765 | 3,506,316 | 3,975,085 | 5,539,537 |
| Minority equity interests | | 1,685,447 | 1,440,412 | - | - |
| **TOTAL EQUITY** | | 4,388,212 | 4,946,728 | 3,975,085 | 5,539,537 |

*Notes to financial statements are included on pages 22-42*

# STATEMENT OF CHANGES IN EQUITY

## For the Financial Year Ended 30 June 2008

### Consolidated Group

| | Share capital ordinary | Retained losses | Foreign currency translation reserve | Minority equity interest | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1/7/2006** | 37,596,291 | (33,653,078) | - | - | 3,943,213 |
| Shares issued during the year | 1,540,000 | - | - | - | 1,540,000 |
| Share issue costs | (125,400) | | | | (125,400) |
| Minority interest recognised on acquisition | - | - | - | 1,252,868 | 1,252,868 |
| Lost attributable to members of parent entity | - | (1,541,413) | - | - | (1,541,413) |
| Profit attributable to minority shareholders | - | - | - | 187,544 | 187,544 |
| Revaluation increment | | | (310,084) | | (310,084) |
| **Balance at 30/6/2007** | 39,010,891 | (35,194,491) | (310,084) | 1,440,412 | 4,946,728 |
| **Balance at 1/7/2007** | 39,010,891 | (35,194,491) | (310,084) | 1,440,412 | 4,946,728 |
| Shares issued during the year | 4,660,111 | - | - | - | 4,660,111 |
| Share issue costs | (570,999) | - | - | - | (570,999) |
| Lost attributable to members of parent entity | - | (4,516,427) | - | - | (4,516,427) |
| Profit attributable to minority shareholders | - | - | - | 245,035 | 245,035 |
| Revaluation increment | - | - | (376,237) | | (376,237) |
| **Balance at 30/6/2008** | 43,100,003 | (39,710,917) | (686,321) | 1,685,447 | 4,388,212 |

### Parent Entity

| | Share Capital Ordinary | Retained Profits | Foreign currency translation reserve | Minority equity interest | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1/7/2006** | 37,596,291 | (33,480,366) | - | - | 4,115,925 |
| Shares issued during the year | 1,540,000 | - | - | - | 1,540,000 |
| Share issue costs | (125,400) | - | - | - | (125,400) |
| Profit attributable to minority shareholders | - | 9,012 | - | - | 9,012 |
| **Balance at 30/6/2007** | 39,010,891 | (33,471,354) | - | - | 5,539,537 |
| **Balance at 1/7/2007** | 39,010,891 | (33,471,354) | - | - | 5,539,537 |
| Shares issued during the year | 4,660,111 | - | - | - | 4,660,111 |
| Share issue costs | (570,999) | - | - | - | (570,999) |
| Loss attributable to members of parent entity | - | (5,653,564) | - | - | (5,653,564) |
| **Balance at 30/6/2008** | 43,100,003 | (39,124,918) | - | - | 3,975,085 |

*Notes to financial statements are included on pages 22-42*

# CASH FLOW STATEMENT

## For the Financial Year Ended 30 June 2008

| | | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | 30 June 2008 | 30 June 2007 | 30 June 2008 | 30 June 2007 |
| | Note | $ | $ | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | | 18,488,958 | 16,913,540 | 150,000 | - |
| Sundry income received | | 209,116 | 55,446 | - | - |
| Payments to suppliers and employees | | (20,429,670) | (16,017,791) | (1,183,482) | (355,743) |
| Interest received | | 105,947 | 88,357 | 41,982 | 9,012 |
| Interest paid | | (129,242) | (169,902) | - | - |
| Income tax paid | | (19,426) | (18,286) | - | - |
| **Net cash(used in)/ provided by operating activities** | 29 | (1,774,317) | 851,364 | (991,500) | (346,731) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Payments for exploration expenditure | | (234,891) | (180,531) | - | - |
| Purchase of plant and equipment | | (23,148) | (39,551) | - | - |
| Proceeds from sale of non-current assets | | - | 91 | - | 139,176 |
| Investment in associates | | (706) | - | - | - |
| Investment in subsidiaries | | - | - | (162,995) | - |
| **Net cash ( used in)/ provided by investing activities** | | (258,745) | (219,991) | (162,995) | 139,176 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from issue of shares | | 2,775,451 | 1,414,600 | 3,346,450 | 1,414,600 |
| Proceeds from borrowing | | - | - | - | 1,000,000 |
| Repayment of borrowings | | (356,976) | (1,986,096) | - | (1,271,336) |
| Loan to related parties - subsidiaries | | - | - | (2,988,660) | - |
| **Net cash provided by/ (used in) financing activities** | | 2,418,475 | (571,496) | 357,790 | 1,143,264 |
| Net increase/(decrease) in cash held | | 385,413 | 59,877 | (796,705) | 935,709 |
| Cash acquired on acquisition of controlled entities | | - | 1,196,812 | - | - |
| | | 385,413 | 1,256,689 | (796,705) | - |
| Cash at the beginning of the financial year | | 981,669 | 166,842 | 1,102,541 | 166,832 |
| Effect of foreign exchange rates on cash holdings in foreign currencies | | (330,257) | (441,862) | - | - |
| **Cash at the end of the financial year** | 7 | 1,036,825 | 981,669 | 305,836 | 1,102,541 |

*Notes to financial statements are included on pages 22-42*

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for ASF Group Limited as an individual entity and the consolidated entity consisting of ASF Group Limited and its subsidiaries.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

***Compliance with IFRS***

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial report are presented below. They have been consistently applied unless otherwise stated.

***Historical cost convention***

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

***Critical accounting estimates***

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(y).

**(b) Financial report prepared on a Going concern basis**

The financial statements have been prepared on the going concern basis of accounting, which assumes 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 financial year ended 30 June 2008 was $4,516,427 (2007: $1,541,413).

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

a) included in financial liabilities in current liabilities is an amount owed to Goldchoice Investment Limited of $1 million which matures on 31 December 2008 under a Convertible Loan Facility established on 1 July 2006. Goldchoice has given notice that it intends to convert all of the outstanding loan to equity in the Company based on the issue price set by the Facility of 7.5 cent per share by 31 December 2008.

b) an agreement is in place for investors to subscribe for up to $2.8 million in the Company's shares and take a financial interest in the Group's resources sector.

c) the ability to meet operating expenditure is also dependent upon future fundraising or the company business opportunities generating positive cash flows.

The Company is projected to require further capital raising in future prior to the time it becomes operational cash flow positive.

In the event that the consolidated entity is unable to raise sufficient funds 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 balance sheet. In this situation, the going concern basis would not be appropriate.

However, at this time the accounts are being prepared on a going concern basis.

**(c) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ASF Group Limited ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. ASF Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.
Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another sector.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.
Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
Investments in subsidiaries are accounted for at cost in the individual financial statements of the Group

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue

**(d) Segment reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments

**(e) Foreign currency translation**

**(I) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency'). The consolidated financial statements are presented in Australian dollars, which is ASF Group Limited's functional and presentation currency.

**(ii) Transactions and balance**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

**(iii) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**(f) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:-

Revenue from the disposal of assets is recognised when the Consolidated Group has passed control of the asset to the buyer.

Revenue from investment properties is recognised when a contract is exchanged and settlement has taken place.

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 customer.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

**(g) Income tax**

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss
Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity
ASF Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary difference can be utilised.
The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

**(h) Exploration and development expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(i) Operating leases**

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

**(j) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

**(k) Cash and cash Equivalents**

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

**(l) Trade receivables**

Trade receivables are recognised initially at fair value and less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(m) Inventories**

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(n) Financial instruments**

**Recognition**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date 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.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Current loans and receivables are included in trade and other receivables (Note 8) in the balance sheet.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments

**Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

**Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

**Subsequent measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired, in the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognises in the income statement.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items 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.

**(o) Plant and equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated 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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Depreciation**

Depreciation is provided on plant and equipment and leasehold improvements. Depreciation is calculated on a diminishing value or straight line basis over the useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the expired period of the lease or the estimated useful lives of the improvements. The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| Parent and Australian registered subsidiaries | |
| Plant and equipment – Diminishing value | 37.5% |
| Leasehold improvements – prime cost | 37.5% |
| Furniture, fittings and office equipment – diminishing value | 37.5% |
| Motor vehicles – diminishing value | 37.5% |
| Overseas subsidiaries | |
| Furniture, fixtures and office equipment – prime cost | 10-20% |
| Motor vehicles – prime cost | 15-20% |

The assets' 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 carrying amounts. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

**(p) Intangible assets**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (note 16).

**(q) Trade and other payables**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

**(r) 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. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the reporting date.

**(s) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing cost are expensed.

**(t) Employee benefits**

***Wages and salaries and annual leave***

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs.

***Long-service leave***

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(u) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(v) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (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 expense. Receivables and payables in the balance sheet, are shown inclusive of GST. The net amount of GST recovrable from, or payable to, the taxation authority is included with other receivables or payables in the blance sheet.

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

**(w) Cost of sales**

Cost of sales includes direct costs associated with income earned by the travel agency subsidiaries in Macau and China.

**(x) Comparative figures**

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

**(y) Critical accounting estimates and judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

**Key estimates – Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

A$1,000,697 impairment has been recognised in respect of intangible assets for the financial year ended 30 June 2008.

**Key judgements – impairment of other receivables**

The directors have reviewed outstanding debtors as at 30 June 2008 and have formed the opinion that not all debtors outstanding are collectible and have therefore decided that a provision for impairment of other receivables should be made in the accounts of $4,381,402 being a debt owing by a subsidiary to the parent entity.

**(z) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company is currently evaluation the effect on the Group.

(ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [ 1,AASB 101,AASB 107,AASB 111,AASB 116&AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This revised standard is not expected to have an effect on the Company and the Group as borrowings are used principally to provide working capital.

(iii*) AASB Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

AASB Interpretation14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. None of the Group's defined benefit plans are subject to minimum funding requirements and none of them is in a surplus position. This will have no impact on the Group which does not have a defined benefit fund.

(iv*) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: FINANCIAL RISK MANAGEMENT

The Groups activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include analysing the effect of interest rate rises, and other price risks, aging analysis for credit risk and comparison of the investment portfolios against the ASX All Ordinaries Index to determine market risk.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas including interest rate risk, credit risk, ,and investment of excess liquidity. The groups functional currencies are the Australian dollar, the Chinese CNY and the Macau MOP. The presentation currency is the Australian dollar. The Group is therefore subject to foreign exchange risk.

The following tables reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

| **30 June 2008** | | | **Fixed Interest Rate Maturing** | | | | |
|---|---|---|---|---|---|---|---|
| | **Average Interest Rate %** | **Variable Interest Rate $** | **Less than 1 Year $** | **1 to 5 Years $** | **More than 5 Years $** | **Non-interest Bearing $** | **Total $** |
| **Financial Assets** | | | | | | | |
| Cash | 7.25% | 2,618,985 | - | - | - | - | 2,618,985 |
| Trade and other receivables | - | - | - | - | - | 3,844,378 | 3,844,378 |
| **Total financial assets** | | 2,618,985 | - | - | - | 3,844,378 | 6,463,363 |
| Trade and other payables | - | - | - | - | - | 3,377,176 | 3,377,176 |
| Bank overdraft and loan | 7.5% | 1,582,160 | - | - | - | - | 1,582,160 |
| Goldchoice loan | 7.0% | - | 1,000,000 | - | - | - | 1,000,000 |
| Directors/shareholder's loan | 10.0% | 1,048,209 | - | - | - | 1,536 | 1,049,745 |
| **Total financial liabilities** | | 2,630,369 | 1,000,000 | - | - | 3,378,712 | 7,009,081 |

| **30 June 2007** | | | **Fixed Interest Rate Maturing** | | | | |
|---|---|---|---|---|---|---|---|
| | **Average Interest Rate %** | **Floating Interest Rate $** | **Less than 1 Year $** | **1 to 5 Years $** | **More than 5 Years $** | **Non-interest Bearing $** | **Total $** |
| **Financial Assets** | | | | | | | |
| Cash | 5.25% | 2,066,069 | - | - | - | - | 2,066,069 |
| Trade and other receivables | - | - | - | - | - | 2,519,150 | 2,519,150 |
| **Total financial assets** | - | 2,066,069 | - | - | - | 2,519,150 | 4,585,219 |
| Trade and other payables | | - | - | - | - | 4,134,132 | 4,134,132 |
| Bank overdraft and loan | 6.5% | 1,084,400 | - | - | - | - | 1,084,400 |
| Goldchoice loan | 7.0% | - | 1,000,000 | - | - | - | 1,000,000 |
| **Total financial liabilities** | | 1,084,400 | 1,000,000 | - | - | 4,134,132 | 6,218,532 |

**(a) Market risk**

***(i) Foreign exchange risk***

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CNY (Chinese currency) and MOP (Macau currency).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

| | **30 June 2008** | | | |
|---|---|---|---|---|
| | | **MOP in A$** | | **CNY in $** |
| | **MOP** | **A$** | **CNY** | **A$** |
| Cash | 12,493,290 | 1,642,868 | 1,521,276 | 231,082 |
| Trade receivables | 36,990,997 | 4,864,316 | 4,695,530 | 713,251 |
| Loans | (9,069,323) | (1,192,616) | (1,654,304) | (251,289) |
| Trade payables | (17,298,806) | (2,274,793) | (4,012,079) | (609,435) |
| **Total net exposure** | 23,116,158 | (3,039,775) | 550,423 | 83,609 |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

| | 30 June 2007 | | | |
|---|---|---|---|---|
| | MOP in A$ | | CNY in $ | |
| | MOP | A$ | MOP | A$ |
| Cash | 5,191,459 | 777,681 | 797,902 | 123,356 |
| Trade receivables | 28,753,625 | 4,307,293 | 2,735,896 | 422,970 |
| Loans | (8,464,883) | (1,268,039) | (1,152,090) | (178,113) |
| Trade payables | (10,171,679) | (1,523,718) | (3,026,568) | (467,907) |
| **Total net exposure** | 15,308,522 | 2,293,217 | (644,860) | (99,694) |

**Group sensitivity**

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 5% against the CNY and the MOP with all other variables held constant, the Group's equity for the year would have been $158,588 lower/ higher (2007 $109,676 higher/ lower), mainly as a result of foreign exchange gains/losses on translation of CNY and MOP denominated financial instruments as detailed in the above table.

The Group's exposure to other foreign exchange movements is not material.

**Parent entity sensitivity**

The carrying amounts of the parent entity's financial assets and liabilities are denominated wholly in Australian dollars and the parent has no foreign exchange dealings.

***(Ii) Price risk***

The Group and the parent entity are not exposed to equity securities price risk as no investments are held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss.

As the Group and the parent entity are only selling services they are not exposed to commodity price risk but are exposed to service price risk in relation to travel agency services and real estate businesses. If the price of these services provided by the group were to increased/decreased by 2% the group and the parent entity's post tax profit would have increased/decreased by $392,521 (2007:$399,464).

***(ii) Cash flow and fair value interest rate risk***

The Groups main interest rate risk arises from borrowings, particularly long-term. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2008 and 2007, the Group's borrowings at variable rate were denominated in Australian Dollars and MOP (Macau).

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:-

| | 30 June 2008 | | 30 June 2007 | |
|---|---|---|---|---|
| | Weighted average interest rate % | Balance $ | Weighted average interest rate % | Balance $ |
| Bank overdraft | 7.5 | 1,582,160 | 6.5 | 1,081,400 |
| Goldchoice loan | 7.0 | 1,000,000 | 7.0 | 1,000,000 |
| Net exposure to cash flow interest rate risk | | 2,582,160 | | 2,081,400 |

**Group sensitivity**

At 30 June 2008, if interest rates had changed by -/+50 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $12,911 lower/higher (2007 - $10,407 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

**Parent sensitivity analysis**

The parent entity's main interest rate risk arises from a fixed interest short-term loan from Goldchoice in Australian dollars. At 30 June 2008, if interest rates had changed by -/+50 basis points from the year-end rates with all other variables held constant, post-tax loss for the year would have been $12,911 lower/higher (2007 -: $10,407 lower/higher).

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 2: FINANCIAL RISK MANAGEMENT (continued)

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers as outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group. The compliance with credit limits by customers is regularly monitored by line management. Sales to customers are required to be settled in cash, mitigating credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in Note 2 on page 29.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $ | $ | $ | $ |
| **Trade receivables** | | | | |
| Counterparts without external credit rating | | | | |
| Group 1 | 781,558 | 325,255 | - | - |
| Group 2 | 2,056,497 | 1,166,563 | - | - |
| | 2,838,055 | 1,491,818 | - | - |
| **Total trade receivables** | 2,838,055 | 1,491,818 | - | - |
| **Cash at bank and short-term bank deposits** | | | | |
| AAA | 2,618,985 | 2,066,069 | 305,836 | 1,102,541 |

Group 1 — customers (more than 6 months) with no defaults in the past
Group 2 — customers (more than 6 months) with some defaults in the past. All defaults were fully recovered

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash 'and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

**Financing arrangements**

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $ | $ | $ | $ |
| - Expiring within one year (bank overdraft ) | - | 713,200 | - | - |

The overdraft and loan facility was granted to Multinational Youth Travel Agency Company Limited (MYTA) a subsidiary of ASF Macau Multinational Holdings Limited, the parent entity's subsidiary in Macau, details of which can be viewed in Note 18.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

**Maturities of financial liabilities**

The Group's and the parent entity's financial liabilities consist of an unsecured convertible loan from Goldchoice of $1 million which matures on 31 December 2008 with an option to covert to ordinary shares of the Company at 7.5 cents per share.

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the closing price at balance date.

The fair value of financial instruments that are not traded in an active market such as investments in unlisted subsidiaries is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature,

For disclosure purposes financial liabilities which expire within twelve months are recorded at the principal amount owing on settlement.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3: SEGMENT INFORMATION

**(a) Description of segments**

**Business segments**

The Company continued its strategy of activities in four business segments - Mineral Resources, Property Services, travel services and Investments. Details of developments in these segments are set out in the Director's Report on page 10.

**Primary reporting format – business segments**

| 30 June 2008 | Property marketing and services | Mineral and resources | Travel Services | Venture and financial services | Eliminations | Total |
|---|---|---|---|---|---|---|
| Segment revenue | | | | | | |
| *Sales* | 554,625 | - | 19,064,352 | 7,068 | - | 19,626,045 |
| Total sales revenue | 554,625 | - | 19,064,352 | 7,068 | - | 19,626,045 |
| *Other revenue* | 2,776 | 992 | 255,150 | 56,145 | | 315,063 |
| Total segment revenue | 557,401 | 992 | 19,319,502 | 63,213 | - | 19,941,109 |
| Segment result | (614,902) | (624,228) | 408,392 | (2,440,665) | (1,245,025) | (4,516,427) |
| Segment assets | (1,298,610) | (984,429) | 7,547,378 | 8,011,486 | (1,821,959) | 11,453,866 |
| Segment liabilities | (120,531) | (8,725) | (5,659,004) | (2,121,969) | 844,575 | (7,065,654) |
| **30 June 2007** | | | | | | |
| Segment revenue | | | | | | |
| *Sales* | 344,863 | - | 19,625,134 | 3,200 | - | 19,973,197 |
| Total sales revenue | | | | | | |
| *Other revenue* | 652 | - | 115,224 | 27,927 | - | 143,803 |
| Total segment revenue | 345,515 | - | 19,740,358 | 31,127 | - | 20,117,000 |
| Segment result | (704,154) | (369,129) | 312,574 | (593,160) | (187,544) | (1,541,413) |
| Total assets | (811,087) | (362,168) | 6,207,158 | 6,792,208 | (659,391) | 11,166,720 |
| Total liabilities | (13,055) | (6,957) | (4,345,138) | (1,854,842) | - | (6,219,992) |

**Secondary reporting format – geographical segments**

| | Segment revenues from sales to external customers | | Segment assets | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Australia | 561,693 | 376,642 | 5,641,103 | 5,618,953 |
| Asia | 19,064,352 | 19,740,358 | 7,633,722 | 6,207,158 |
| Eliminations | - | - | (1,820,959) | (659,391) |
| TOTAL | 19,626,045 | 20,117,000 | 11,453,866 | 11,166,720 |

## NOTE 4: REVENUE

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Parent Entity 2008 $ | Parent Entity 2007 $ |
|---|---|---|---|---|
| **(a) Revenue from continuing operations** | | | | |
| - Services (i) | 19,626,046 | 19,973,197 | - | - |
| **(b) Other revenue** | | | | |
| - Interest received – other entities | 105,947 | 88,357 | 41.982 | 9,012 |
| - Other revenue | 129,279 | 55,446 | - | - |
| - Gains on foreign exchange | 79,837 | - | - | - |
| | 315,063 | 143,803 | 41.982 | 9,012 |
| | 19,941,109 | 20,117,000 | 41,982 | 9,012 |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 5: EXPENSES

| | Consolidated 2008 $ | Consolidated 2007 $ | Parent 2008 $ | Parent 2007 $ |
|---|---|---|---|---|
| **Loss before income tax includes the following specific expenses**: | | | | |
| Cost of services | 16,551,419 | 17,693,984 | - | - |
| Finance costs | | | | |
| - external | 173,196 | 88,266 | - | - |
| - related parties | 38,839 | 35,839 | - | - |
| Rental expenses on operating leases | | | | |
| - minimum lease payments | 340,638 | 280,850 | - | - |
| Net loss on disposal of plant and equipment | - | 1,396 | - | - |
| Impairment losses | | | | |
| - Goodwill | 999,990 | - | - | - |
| - Investment in associates | 706 | - | - | - |
| - Receivables | - | - | 4,381,402 | - |
| Depreciation and amortisation expense | 219,848 | 270,067 | - | - |
| Franchise expense | 200,000 | - | - | - |
| Share based payments expensed | 1,313,661 | - | 1,313,661 | - |

## NOTE 6: INCOME TAX

| | | | | |
|---|---|---|---|---|
| **(a) income tax expense** | | | | |
| Current tax | 74,539 | (526,606) | - | - |
| Deferred tax | (659,786) | 50,672 | 1,301,971 | 2,703 |
| Deferred tax assets not recognised | 659,786 | 544,504 | (1,301,971) | (2,703) |
| Deferred tax liabilities not recognised | - | (49,598) | - | - |
| | 74,539 | 18,972 | - | - |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | | | |
| Profit from continuing operations before income tax expense at 30% (2007:30%) | (1,259,056) | (462,295) | (1,696,069) | 2,703 |
| Add tax effect of: | | | | |
| Non deductible share based payments | 394,098 | - | 394,098 | - |
| Other non-allowable items | 326,964 | 5,026 | - | - |
| Less tax effect of: | | | | |
| Non-assessable debt written off | - | (18,665) | - | - |
| Overseas income subject to tax at different rates | (47,254) | | - | - |
| Deferred tax assets not recognised | 659,786 | 544,504 | 1,301,971 | (2,703) |
| Deferred tax liabilities not recognised | - | (49,598) | - | - |
| Income tax expense | 74,539 | 18,972 | - | - |

## NOTE 7: CASH AND CASH EQUIVALENTS

| | | | | | |
|---|---|---|---|---|---|
| Cash at bank and in hand | | 2,618,985 | 2,066,069 | 305,836 | 1,102,541 |
| **Reconciliation of cash** | | | | | |
| Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows: | | | | | |
| Cash at bank and in hand | | 2,618,985 | 2,066,069 | 305,836 | 1,102,541 |
| Bank overdrafts and loans | | (1,582,160) | (1,084,400) | - | - |
| Balance per statement of cash flows | 18 | 1,036,825 | 981,669 | 305,836 | 1,102,541 |

**Interest rate exposure**

The Group and the parent entitiy's expousre to interest rate risk is disclosed in Note 2.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 8: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated 2008 $ | 2007 $ | Parent 2008 $ | 2007 $ |
|---|---|---|---|---|
| Trade receivables | 2,838,055 | 1,491,818 | - | - |
| Other receivables | 116,449 | 276,139 | - | 150,000 |
| Amounts recoverable from related entities | 889,874 | 751,193 | - | - |
| | 3,844,378 | 2,519,150 | - | 150,000 |

**(a) Impaired trade receivables**

As at 30 June 2008 none of the trade receivables of the Group or the parent entity were impaired (2007:$0)

**(b) Past due but not impaired**

As at 30 June 2008, trade receivables of $2,056,497 (2007:$1,166,563) were past due but not impaired.

**(c) Interest rate risk**

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is disclosed in Note 2.

**(d) Credit terms**

Credit terms which apply to travel agency customers are payment within 30 days from date of invoice and for real estate customers from 30-90 days.

**(e) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for further information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

## NOTE 9: CURRENT ASSETS - INVENTORIES

| | | | | |
|---|---|---|---|---|
| Finished goods at cost | 10,374 | 4,672 | - | - |

## NOTE 10: CURRENT ASSETS – OTHER CURRENT ASSETS

| | | | | |
|---|---|---|---|---|
| Prepayments | 1,668,604 | 2,287,639 | - | - |

## NOTE 11: NON-CURRENT ASSETS – OTHER RECEIVABLES

| | | | | |
|---|---|---|---|---|
| Amounts owing by controlled entities | 875,427 | 875,427 | 5,863,079 | 2,874,419 |
| Provision for impairment of receivables | (875,427) | (875,427) | (5,256,829) | (875,427) |
| Deposits | 279,040 | 247,360 | - | - |
| | 279,040 | 247,360 | 606,250 | 1,998,992 |

**(a) Impaired receivables and receivables past due**

At 30 June 2008 $5,256,829 (2007:$875,427) owing by controlled entities was impaired with $875,427 provided for in the 2006 financial year and $4,381,402 provided for in 2008.

**(b) Fair values**

After provisioning for impairment for the amount owing by a controlled entities of $5,256,829, the carrying amount is assumed to approximate the fair value of the other receivable. Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest risk is provided in Note 2.

## NOTE 12: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

| | Plant & Equipment at cost | Leasehold Improvements at cost | Motor vehicles at cost | TOTAL |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Gross carrying amount** | | | | |
| Balance at 30 June 2007 at cost or fair value | 189,320 | 124,231 | 1,455,902 | 1,769,453 |
| Additions | 23,148 | - | - | 23,148 |
| Disposals | (62,195) | - | - | (62,195) |
| Balance at 30 June 2008 | 150,273 | 124,231 | 1,455,902 | 1,730,406 |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 12: NON-CURRENT ASSETS - PLANT AND EQUIPMENT (continued)

| | Plant & Equipment at cost | Leasehold Improvements at cost | Motor vehicles at cost | TOTAL |
|---|---|---|---|---|
| **Accumulated depreciation/amortisation** | | | | |
| Balance at 30 June 2007 | (140,320) | (46,564) | (961,886) | (1,148,770) |
| Exchange differences | - | - | (45,979) | (45,979) |
| Depreciation/amortisation expense | (25,778) | (29,125) | (164,945) | (219,848) |
| Write back on disposal | 60,628 | - | - | 60,628 |
| Balance at 30 June 2008 | (105,470) | (75,689) | (1,172,810) | (1,353,969) |
| **Net Book Value** | | | | |
| As at 30 June 2007 | 49,000 | 77,667 | 494,016 | 620,683 |
| As at 30 June 2008 | 44,804 | 48,542 | 283,092 | 376,437 |

Plant and equipment has been tested for impairment at 30 June 2008 resulting in no impairment loss.

## NOTE 13: NON-CURRENT ASSETS – FINANCIAL ASSETS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2008 $** | **2007 $** | **2008 $** | **2007 $** |
| Available for sale financial assets | - | - | 4,062,999 | 3,900,004 |

Available for sale financial assets comprise shares in controlled entities, disclosed in note 27.are carried at cost.

## NOTE 14: OTHER NON-CURRENT ASSETS

| | | | | |
|---|---|---|---|---|
| Exploration and development costs | 415,422 | 180,531 | - | - |
| Accumulated amortisation and impairment | - | - | - | - |
| | 415,422 | 180,531 | - | - |

The ultimate recoupment of balances carried forward in relation to areas of interest still in the exploration or valuation phase is dependent on successful development and commercial exploitation, or alternatively sales of the respective areas.

The Company's tenements E04/1428, E04/1433, E04/1434, E04/1435 and E04/1436 reached their third anniversary date in April 2008 and each tenement faces a compulsory drop-off in area under the Mining Act of W.A unless an exemption from such area reduction is granted. The Company believes that it has reasonable grounds to be granted such exemptions and has made applications for exemptions to the W.A Department of Industry and Resources in May 2008

Capitalised costs amounting to $234,891 (2007: $180,531) have been included in cash flows from investing activities in the cash flow statement

## NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Deferred tax assets not brought to account the benefit of which will only be realised if the conditions for deductibility set out in Note 1(g) are satisfied.

- tax losses, operating losses at 30% not brought to account $1,236,316 (2007: $619,706).

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 16: NON-CURRENT ASSETS - INTANGIBLE ASSETS

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2008 $ | 2007 $ | 2008 $ | 2007 $ |
| Goodwill | 3,240,616 | 3,240,616 | - | - |
| Accumulated impairment loss | (999,990) | - | - | - |
| Closing net book value | 2,240,626 | 3,240,616 | - | - |

Intangible assets have been tested for impairment at 30 June 2008 resulting in no further impairment loss.

**(a) Impairment tests for goodwill**

Goodwill is allocated to the Groups cash-generating units (CGUs) identified according to business segment and country of operation.

A segment-level summary of the goodwill as at reporting date is presented below.

| 2008 | Australia | Asia | Total |
|---|---|---|---|
| Real estate business | 1,600,010 | - | 1,600,010 |
| Travel services | - | 640,616 | 640,616 |
| | 1,600,010 | 640,616 | 2,240,626 |

| 2007 | Australia | Asia | Total |
|---|---|---|---|
| Real estate business | 2,600,000 | - | 2,600,00 |
| Travel services | - | 640,616 | 640,616 |
| | 2,600,000 | 640,616 | 3,240,616 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using a terminal value of the year's cash flow projection and a multiplier of 3 for property businesses and 4.5 for travel businesses. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

**(b) Key assumptions used for value-in-use**

| CGU | Growth rate | Discount rate |
|---|---|---|
| Travel services - Asia | 5% p.a. | 15% |
| Real estate business - Australia | 20% p.a. | 30% |

**(c) Impact of possible changes in key assumptions**

*Travel services – Macau (China)*

The recoverable amount of the goodwill with respect to the Group's 40% interest in ASF Macau Multinational Holdings Limited is estimated to be $1,485,709. This exceeds the carrying amount of the CGU's goodwill at 30 June 2008 by $845,093. If a discount rate of 44% instead of 15% were used the recoverable amount of the CGU's goodwill would equal its carrying amount. Management does not consider a change in any of the key assumptions to be reasonably possible.

*Real estate business –Australia*

The recoverable amount of the goodwill with respect to ASF Properties Pty Ltd is estimated to be $2,953,287. This exceeds the carrying amount of the CGU's goodwill at 30 June 2008 by $1,353,277. If a discount rate of 49% instead of 30% were used the recoverable amount of the CGU's goodwill would equal its carrying amount.

**(d) Impairment charge**

During the second half of the financial year the directors resolved to write down the carrying amount of goodwill for the real estate business by $999,990.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 17: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | Note | $ | $ | $ | $ |
| Trade payables | | 2,141,088 | 1,418,996 | - | - |
| Sundry payables and accrued expenses | | 971,680 | 847,096 | - | 12,000 |
| Share subscription money received in advance | | - | 600,000 | - | 600,000 |
| Deposits received | | 264,408 | - | - | - |
| Amounts payable to related parties | | | 1,042,806 | - | - |
| Amounts payable to directors | | - | 225,234 | - | - |
| | | 3,377,176 | 4,134,132 | - | 612,000 |

Included in trade and other payables are trade security deposits amounting to CNY 790,000 (A$120,001), in 2007 CNY554,000 (A$85,648) which were collected from licensed companies for the usage of Guangdong Great Scenery International Travel Service Co. Limited's business name.

*Risk Exposure*

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 2.

## NOTE 18 CURRENT LIABILITIES – FINANCIAL LIABILITIES

| | | | | | |
|---|---|---|---|---|---|
| **Secured** | | | | | |
| Bank overdraft and loans – secured | 7 | 1,582,160 | 1,084,000 | - | - |
| Goldchoice loan - unsecured | | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Director/shareholder loan- unsecured | | 1,049,745 | - | - | - |
| Total current financial liabilities | | **3,631,905** | **2,084,000** | **1,000,000** | 1,000,000 |

**(a) Security**

The banking facility was granted to the parent entity's subsidiary in Macau, Multinational Youth Travel Agency Limited on the following securities provided by Mr Alex Lau, a director of the parent company and Managing Director of Multinational Youth Travel Agency Limited:

- Properties owned by Mr Alex Lao with a fair value as at 30 June 2008 of HKD35,500,000 (A$4,731,315) as per a valuation carried out on that date by an independent qualified professional valuer not connected with the Group.
- Fixed deposits provided by Mr Alex Lao of MOP4,515,790 (A$593,826); and
- Personal guarantees given by Mr Alex Lao to the bank to the extent of HKD13,200,000 (A$1,759,249)

At balance date, letters of guarantee issued by the bank to its trade creditors as security for settlement of the trade debts amounted to MOP 4,329,950 (A$569,388). All these guarantees were pledged by the relevant fixed deposits placed at the bank.

The Goldchoice loan is unsecured but has been provided with an option to convert to ordinary shares of the company. For further details see Note 1 (b).

**(b) Risk exposures**

Details of the Group's exposure to interest rate and foreign currency change risks arising from current borrowings are disclosed in Note 2.

## NOTE 19: TAX

| | | | | |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Income tax | 56,873 | 1,460 | - | - |

Deferred tax liabilities not brought to account and which will only be offset against non-current tax assets and the net benefit brought to account if the conditions for deductibility set out in Note 1(g) are realised

Deferred tax assets are disclosed in Note 15 including details of tax losses not brought to account.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 20: CONTRIBUTED EQUITY

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| 181,188,230 fully paid ordinary shares (2007: 158,081,116) | 43,100,003 | 39,010,891 | 43,100,003 | 39,010,891 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### (a) Movements in ordinary share capital

| Date | Details | No of shares | Issue price | $ |
|---|---|---|---|---|
| 1 July 2006 | Opening balance | 1,426,811,168 | - | 37,596,291 |
| 12 Jun 2007 | Shares issued | 154,000,000 | 0.01 | 1,540,000 |
| | Less transaction costs arising on share issued | - | - | (125,400) |
| 30 June 2007 | Balance | 1,580,811,168 | - | 39,010,891 |
| 18 July 2007 | Share issued | 60,000,000 | 0.10 | 600,000 |
| 8 Nov 2007 | Share based payment | 50,000,000 | 0.25 | 1,250,000 |
| 8 Nov 2007 | After Share consolidation 10:1 | 169,081,119 | | |
| 29 Jan 2008 | Shares issued | 10,185,800 | 0.25 | 2,546,450 |
| 20 Jun 2008 | Share issued | 1,666,666 | 0.12 | 200,000 |
| 23 Jun 2008 | Share based payments | 254,645 | 0.25 | 63,661 |
| | Less transaction costs arising on shares issued | - | - | (570,999) |
| 30 June 2008 | Balance | 181,188,230 | - | 43,100,003 |

### (b) Ordinary shares

On 8 November 2008 there were 1,690,811,168 fully paid shares before consolidation of issued shares in the ration of 10 to 1 as approved by shareholders at the 2007 Annual General Meeting.

During the financial year the company issued 6,000,000 shares at $0.10 each; 15,440,445 shares at $0.25 each and 1,666,666 at $0.12 each.

The company has a loan from Goldchoice Investment Limited of $1 million which matures on 31 December 2008 and which gives the provider the right to convert this loan to equity in the Company based on an issue price 7.5 cent per share.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### (c) Capital risk management

The Group and the parent entity's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the parent entity monitor capital on the basis of the gearing ratio.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt

During 2008. the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio within 10% to 50%. The gearing ratios at 30 June 2008 and 30 June 2007 were as follows:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| Total borrowings | 7,009,081 | 6,218,532 | 1,000,000 | 1,612,000 |
| Less cash and cash equivalents | (2,618,985) | (2,066,069) | (305,836) | (1,102,541) |
| Net debt | 4,390,096 | 4,152,463 | 694,164 | 509,459 |
| Total equity | 4,388,212 | 4,946,728 | 3,975,085 | 5,539,537 |
| Total capital | 8,778,308 | 9,099,191 | 4,669,249 | 6,048,996 |
| **Gearing ratio** | **50.01%** | **45.64%** | **14.87%** | **8.42%** |

The increase in the gearing ratio during 2008 resulted primarily from an increase in loans provided by a director/shareholder.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 21: RESERVES

The foreign currency transaction reserve records exchange difference arising on translation of balances of a foreign controlled subsidiaries.

## NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURES

The following persons were directors of ASF Group Limited during the financial year: -

**(a) Directors**

| | | |
|---|---|---|
| Chairman - executive | Min Yang | |
| Executive directors | Quan (David) Fang | |
| Non-executive directors | Alex Lao, Vice Chairman | |
| | Geoff Baker | |
| | Alan Humphris | From 5 September 2007 |
| | Tony Sin Pyng Teng | From 1 July 2007-31 August 2007 |

**(b) Key management personnel compensation:**

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2008 $ | 2007 $ | 2008 $0 | 2007 $ |
| Fees and commission paid to related parties | 1,678,600 | 276,200 | - | - |

Details of directors remuneration are included in the remuneration report on page 12.

**(d) Shareholdings of key management personnel**

The number of shares in the company held during the financial year by each director of ASF Group Limited and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

| 2008 | Balance at start of the year | Changes during the year | Balance at the end of the year |
|---|---|---|---|
| ***Directors of ASF Group Limited*** | | | |
| Min Yang | 32,500,000 | (11,403,500) | 21,096,500 |
| David Fang | 32,500,000 | (11,680,000) | 20,820,000 |
| Tony S.P. Teng | 179,161 | - | 179,161 |
| Alex Lau | 12,928,000 | - | 12,928,000 |
| Wai Seng Ho | 8,333,333 | - | 8,333,333 |
| Geoff Baker | 234,517 | 5,000,000 | 5,234,517 |
| | 700,000 | | 700,000 |
| | 87,375,011 | (18,082,500) | 69,291,511 |

| 2007 | Balance at start of the year | Changes during the year | Balance at the end of the year |
|---|---|---|---|
| ***Directors of ASF Group Limited*** | | | |
| Min Yang | 32,500,000 | - | 32,500,000 |
| David Fang | 32,500,000 | - | 32,500,000 |
| Tony S.P. Teng | 179,161 | - | 179,161 |
| Alex Lau | 12,928,000 | - | 12,928,000 |
| Wai Seng Ho | 8,333,333 | - | 8,333,333 |
| Geoff Baker | 234,517 | - | 234,517 |
| Alan Humphris | | 700,000 | 700,000 |
| | 86,675,011 | 700,000 | 87,375,011 |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

**(f) Other transactions with key management personnel**

During the year, properties owned by Mr. Alex Lao were used as the head office of Multinational Youth Travel Agency Limited free of charge. One of the branch offices was leased from Alex Lao at a total rental charges of MOP24,000 (A$3,382) in the year.

In addition, properties owned by and assets of Alex Lao were pledged as security for a banking facility granted to the parent entity's subsidiary in Macau Multinational Youth Travel Agency Limited. Details of the security provided are set out in Note 18(a).

## NOTE 23: REMUNERATION OF AUDITORS

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $ | $ | $ | $ |
| *Auditor to the parent company* | | | | |
| Auditing or reviewing the financial report | 75,247 | 55,500 | - | 55,500 |
| Other services: | | | | |
| - taxation services | 12,500 | 4,350 | - | 4,350 |
| - corporate advisory services | 108,020 | 7,300 | - | 7,300 |
| *Other auditors of subsidiaries* | | | | |
| Auditing or reviewing the financial report of subsidiaries | 31,912 | 26,325 | - | - |
| Corporate advisory services | 26,691 | 6,310 | - | - |
| | 254,370 | 99,785 | - | 67,150 |

## NOTE 24: CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

## NOTE 25: COMMITMENTS

**Non-cancellable operating leases**

The property lease is a non-cancellable lease with a 3 years term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 5% per annum. An option exists to renew the lease at the end of the 3 year term for an additional term of 3 years.

| | | | | |
|---|---|---|---|---|
| Non-cancellable operating leases contracted but not capitalised in the financial statements | | | | |
| - Payable not later than one year | 230,263 | 158,820 | - | - |
| - Longer than 1 year and not longer than three years | 488,968 | 159,863 | - | - |
| Minimum lease payments | 719,231 | 318,683 | - | - |
| **Exploration and Development** | | | | |
| - Payable not later than one year | 572,250 | 433,370 | - | - |

## NOTE 26: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

***(a) Parent entity***

The parent entity within the Group is ASF Group Limited

***(b) Subsidiaries***

Interests in sbsidiaries are set out in Note 27

***(c) Key management personnel***

Disclosures in relation to key management personnel are set out in Note 22 and on page 12 of the Directors' Report..

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 26: RELATED PARTY TRANSACTIONS (continued)

***(e) Outstanding balances arising from transactions with the Group***

The Group includes the ultimate parent entity and its wholly owned and partly owned subsidiaries. The ultimate parent entity in the Group is ASF Group Limited. Amounts receivable from entities in the Group are disclosed in note 8, 11, 17 and 18 in the financial statements.

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2008 $ | 2007 $ | 2008 $ | 2007 $ |
| Amounts receivable from related entities | 889,874 | 751,193 | - | - |
| Amounts owing by controlled entities | 875,427 | 875,427 | 5,863,078 | 2,874,419 |
| Provision for impairment of amounts owing by controlled entities | (875,427) | (875,427) | (5,256,829) | (875,427) |
| Amounts payable to related parties | - | 1,042,806 | - | - |
| Amounts payable to Alex Lao, Director | - | 225,234 | - | - |
| Loans from director/shareholder | 1,049,745 | - | - | - |

$889,874 is receivable from and $1,049,745 is payable by related companies of Alex Lau as set out in Note 8 and 17 respectively.

A provision for impairment of debtors of $4,381,402 was raised in the 2008 financial year (2007:$875,427) in relation to outstanding balances owing by a related entity and an expense was recognised with respect to this impairment.

**(f) Guarantees**

A director of the company has given guarantees with respect to a bank overdraft provided to a subsidiary as set out in Note 18(a).

## NOTE 27: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c).

| Name of entity | Country of Incorporation | Class of Shares | Ownership Interest | |
|---|---|---|---|---|
| | | | 2008 | 2007 |
| ***Parent entity*** | | | | |
| ASF Group Limited | Australia | Ordinary | 100% | 100% |
| ***Controlled entities*** | | | | |
| ASF Corporate Pty Ltd | Australia | Ordinary | 100% | 100% |
| ASF Properties Pty Ltd | Australia | Ordinary | 100% | 100% |
| ASF Resources Pty Ltd | Australia | Ordinary | 100% | 100% |
| ASF CRCC Resource Pty Ltd | Australia | Ordinary | 100% | - |
| Aushome China Pty Ltd | Australia | Ordinary | 100% | 100% |
| ASF Mongolia Resources Pty Ltd | Australia | Ordinary | 100% | - |
| ASF China Property Fund Pty Ltd | Australia | Ordinary | 100% | - |
| ASF China Holdings Limited | BVI | Ordinary | 100% | 100% |
| ASF Multinational Holdings Limited | Macau | Ordinary | 40% | 40% |
| Multinational Youth Travel Agency Limited | Macau | Ordinary | 40% | 40% |
| Guangdong Great Scenery International Travel Service Co. Limited | China | Ordinary | - | - |
| ASF (Beijing) Investment Consulting Co Ltd | China | Ordinary | 100% | - |
| ASF Properties (Guangzhou) Co Ltd | China | Ordinary | 100% | - |

ASF Group Limited has a 40% controlling interest in ASF Macau Multinational Holdings Limited which owns 100% of the Multinational Youth Travel Agency Company Limited (MYTA) and Guangdong Great Scenery International Travel Service Limited (GGSIT) through a management agreement between MYTA and GGSIT which stipulates that MYTA has full power and authority to manage and control all the business and activities of GGSIT. These entities were consolidated effective 1 July 2006 on the basis of board control and majority voting power. As from 1 July 2008 as a result of a change of control arrangements the ASF Group will be equity accounting its effective 40% interest.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 28: SUBSEQUENT EVENTS

On 8 July 2008 the company announced the following changes in relation to its 40% holding in ASF Macau Multinational Limited (ASF MML) which in turn owns 100% of the Macau based travel company, Multinational Youth Travel Agency Limited (MYTA).

As a result of streamlined changes to the board and management arrangements of the travel business, ASF Group Limited relinquished board control of ASF MML effective on and from 1 July 2008 but retains its 40% shareholding. The Company's co-shareholder in this business, Mr Alex Lao, who is currently Chairman of MYTA and who is an experienced travel business operator, has assumed board and management control of ASF MML.

As a result of the change of control arrangements, ASF Group Limited has been equity accounting its effective 40% interest in MYTA from 1 July 2008. Previously MYTA was consolidated in ASF Group Limited accounts as a controlled entity.

In accordance with the agreement signed in June 2008 Zhongsai subscribe an additional $1.09 million in the Company's shares during September 2008.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## NOTE 29: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERTING ACTIVITIES

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2008 $ | 2007 $ | 2008 $ | 2007 $ |
| (Loss)/Profit from ordinary activities after income tax | (4,271,392) | (1,353,869) | (5,653,564) | 9,012 |
| Add/(less) non-cash items: | | | - | |
| - Provision for impairment of goodwill and investments | 1,000,697 | - | - | - |
| - Provision for impairment of receivables | - | - | 4,381,402 | - |
| - Share based payment expense | 1,313,661 | - | 1,313,661 | |
| - Depreciation and amortisation | 219,848 | 270,067 | - | - |
| - Disposal of plant and equipment | 1,567 | - | - | - |
| - Loss on sales plant and equipment | - | 1,396 | - | - |
| **Change in assets and liabilities** | | | | |
| (Increase)/decrease in inventories | (5,702) | 528 | - | - |
| (Increase)/decrease in receivables | (1,186,547) | 477,306 | 150,000 | (353,609) |
| Decrease in deposits and prepayments | 851,763 | - | - | - |
| (Decrease)/increase in payables | 246,675 | 1,457,384 | (1,182,999) | - |
| (Decrease) in provisions | - | (2,134) | - | (2,134) |
| Increase in income tax payable | 55,113 | 686 | - | - |
| Net cash used in operating activities | **(1,774,317)** | **851,364** | **(991,500)** | **(346,731)** |

## NOTE 30: EARNINGS PER SHARE

| | Consolidated Group | |
|---|---|---|
| | 2008 Cents per Share | 2007 Cents per Share |
| Basic earnings per share | (2.63) | (0.11) |
| Diluted earnings per share | (2.41) | (0.10) |

### *Basic earnings per share*

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:-

| | 2008 $ | 2007 $ |
|---|---|---|
| Earnings (i) | (4,516,427) | (1,541,413) |
| | **No.** | **No** |
| Weighted average number of ordinary shares (ii) | 171,751,323 | 1,439,638,565 |

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 30: EARNINGS PER SHARE (continued)

(i) Earnings used in the calculation of basic earnings per share are net profit after tax attributable to members of the parent entity (after deducting minority equity interest) as per the income statement.

(ii) On 8 November 2008 ordinary shares were consolidated 10:1 with basic earnings per share in 2008 calculated using consolidated share numbers.

### *Diluted earnings per share*

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:-

| | 2008 $ | 2007 $ |
|---|---|---|
| Earnings (i) | (4,451,476) | (1,503,540) |
| | **No.** | **No** |
| Weighted average number of ordinary shares (ii) | 185,084,660 | 1,452,971,899 |

(i) Earnings used in the calculation of diluted earnings per share are net profit after tax attributable to members of the parent entity (after deducting minority equity interest) and adding back interest payable after tax on convertible loans as per the income statement.

(ii) On 8 November 2008 ordinary shares were consolidated 10:1 with diluted earnings per share in 2008 calculated using consolidated share numbers.

(iii) The 13,333,333 ordinary shares issuable on conversion of the Gold choice convertible loan as per notes 1(b) and 18(a) are considered as potential shares which are dilutive and have been included in the weighted number of ordinary shares for the calculation of diluted earnings per share.

## NOTE 31: PRIOR PERIOD ERRORS

In accordance with AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", the prior period errors in the Group's 30 June 2007 financial report have been corrected retrospectively in the 2007 comparatives in the current report.

The prior period error was the classification of retained earnings of one of the consolidated group's subsidiaries as a reserve resulting in reserves being overstated and retained earnings understated.

Correction of the error does not affect the profit for the year or change total equity, nor does it change Parent entity figures.

This correction resulted in the following changes to the Consolidated Group figures in the 2007 financial report:-

**BALANCE SHEET AT 30 JUNE 2007**

| | Consolidated Group | | |
|---|---|---|---|
| | **Previously stated** | **Amended** | **Restated** |
| **EQUITY** | **$** | **$** | **$** |
| Issued capital | 39,010,891 | - | 39,010,891 |
| Reserves – foreign exchange | (441,863) | 131,779 | (310,084) |
| Accumulated losses | (35,141,779) | (52,712) | (35,194,491) |
| Parent Entity Interest | 3,427,249 | 79,067 | 3,506,316 |
| Minority Equity Interests | 1,519,479 | (79,067) | 1,440,412 |
| **TOTAL EQUITY** | **4,946,728** | **-** | **4,946,728** |

## NOTE 32: SHARE-BASED PAYMENTS

The following share based payments were made during the financial year in payment for services rendered to the Group:-

| Grant Date | No of Shares | Fair Value per share | Total Fair Value |
|---|---|---|---|
| 08/11/2007 | 5,000,000 | $0.25 | $1,250,000 |
| 23/06/2008 | 254,645 | $0.25 | 63,661 |
| | 5,254,645 | $0.25 | $1,313,661 |

**(a) Fair value**

Share-based payments have been valued at 25 cents which was the company's prospectus price for their shares on re-listing and prior to the availability of an independent market price for the company's shares.

**(b) Expense arising from share-based payment transactions**

Total expense arising from share-based transactions during the period charged against income was $1,313,661 with a corresponding amount credited to contributed equity.

# STOCK EXCHANGE INFORMATION

## Statement of quoted securities as at 15 September 2008

- There are 3,808 shareholders holding a total of 181,188,230 ordinary fully paid shares on issue by the Company.
- The twenty largest shareholders between them hold 74.83% of the total issued shares on issue.
- The voting rights attaching to the ordinary shares, set out in Article 62 of the Company's Articles of Association, are:
  *"Subject to these Articles and to any special conditions attaching to any class of shares a member shall be entitled either personally or by proxy or by attorney or by representative to be present at any general meeting of the Company and to vote on any question on a show of hands and upon a poll and to be reckoned in a quorum".*

## Distribution of quoted securities as at 15 September 2008

Ordinary fully paid shares

| Range of holding | | | Number of holders |
|---|---|---|---|
| 1 | - | 1,000 | 1,460 |
| 1,001 | - | 5,000 | 1,229 |
| 5,001 | - | 10,000 | 472 |
| 10,001 | - | 100,000 | 548 |
| 100,001 | - | and over | 99 |
| Total holders | | | 3,808 |

## Substantial shareholdings as at 15 September 2008 of Fully Paid Ordinary Shares

| Ordinary shareholder | Total relevant interest notified | % of total voting rights |
|---|---|---|
| FY Holdings Limited | 41,620,000 | 22.97% |
| Goldchoice Investments Limited | 24,350,000 | 13.44% |
| Goldenray Consortium(s) Pte Ltd | 15,000,000 | 8.28% |
| Alex (Nga Fong) Lao | 12,928,000 | 7.14% |
| CITIC International Assets Managements Limited | 8,380,000 | 4.63% |
| Wai Sang Ho | 8,333,333 | 4.60% |

## On-market buy-backs

There is no on-market buy back currently in place in relation to the securities of the company.

## Restricted unquoted securities

| | Number on issue | Number of holders |
|---|---|---|
| Ordinary shares under escrow until 29/1/2010* | 92,522,498 | 21 |

* including 41,620,000 shares under escrow held by FY Holdings Ltd being 22.9% of ordinary issued shares

There are unquoted restricted securities on issue by the Company of which 3,480,000 under escrow until 17/7/2008 and 92,522,495 are under escrow until 29/1/2010.

## Material differences to Appendix 4E

There are no material differences to the financial statements set out in this report when compared to the information set out in the Company's Appendix 4E preliminary final statement released to the ASX on 30 August 2008.

# STOCK EXCHANGE INFORMATION

## TOP TWENTY SHAREHOLDERS (as at 15 September 2008)

| Shareholder name | Number of ordinary fully paid shares held | % of total ordinary shares on issue |
|---|---|---|
| FY HOLDINGS LIMITED | 41,620,000 | 22.97 |
| GOLDCHOICE INVESTMENTS LIMITED | 24,350,000 | 13.44 |
| GOLDENRAY CONSORTIUM(S)PTE LTD | 15,000,000 | 8.28 |
| NGA FONG LAO | 12,928,000 | 7.14 |
| CITIC INTERNATIONAL ASSETS MANAGEMENT LIMITED | 8,380,000 | 4.63 |
| WAI SANG HO | 8,333,333 | 4.60 |
| GOLD STAR INDUSTRY LIMITED | 5,234,517 | 2.89 |
| CHANCELLOR MANAGEMENT PTY LTD | 2,000,000 | 1.10 |
| ZHONGRUI INVESTMENT GROUPS CO LTD | 2,000,000 | 1.10 |
| MR ZHONG LIN ZHANG | 1,666,666 | 0.92 |
| MR JIARONG HE | 1,067,605 | 0.59 |
| FORTITUDE ASSET MANAGEMENT SDN BHD | 1,009,101 | 0.56 |
| MS CHOO KHENG YEOH | 1,000,000 | 0.55 |
| DR MARC LAVAL KOO SIN LIN | 1,000,000 | 0.55 |
| CHUN FAT LAW | 1,000,000 | 0.55 |
| LIJUN HE | 1,000,000 | 0.55 |
| MR STUART TURNER | 1,000,000 | 0.55 |
| ORTEGA HOLDINGS PTY LIMITED <DATAMAIL RETIRE FUND NO2 A/C> | 1,000,000 | 0.55 |
| MR MALCOLM KUVEKALOVIC | 1,000,000 | 0.55 |
| J H KILROY INVESTMENTS PTY LTD <JH KILROY SUPER FUND A/C> | 1,000,000 | 0.55 |
| CYBER CITY INTERNATIONAL LTD | 1,000,000 | 0.55 |
| MS ETHEL TI SOO WOO | 1,000,000 | 0.55 |
| PEI LAN SONG | 1,000,000 | 0.55 |
| MS KAIZHI CAI | 1,000,000 | 0.55 |
| **TOTAL HELD BY TOP TWENTY SHAREHOLDERS** | **135,589,222** | **74.83%** |

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