

MFS DIVERSIFIED GROUP
COMPRISING:

MFS DIVERSIFIED TRUST ("Trust")

ARSN 104 482 206

(RESPONSIBLE ENTITY: MFS DIVERSIFIED GROUP MANAGEMENT LTD

ABN 77 116 506 882, AFSL 304866)

MFS DIVERSIFIED LIMITED ("Company")

ABN 38 117 546 326

ASX Code: MFT



ASX/MEDIA ANNOUNCEMENT

DETAIL OF RELATIONSHIP WITH MFS LIMITED AND BUSINESS UPDATE

Given recent announcements and events in relation to MFS Limited (MFS), we provide details below of the relationship between MFS and MFS Diversified Group (MFT or Group). We are also pleased to provide a brief business update.

Overview

MFS Diversified Group consists of a real estate investment trust and a real estate development company. The units in the trust and the shares in the company are stapled together as one stapled security which is listed and traded on the ASX.

The Group's total land bank is approximately 6,750 lots, representing about 7 years supply at current delivery rates, with an end value of approximately \$1.64 billion. The Group also owns a portfolio of commercial, industrial and retail properties valued at 31 October, 2007 at approximately \$309 million.

MFS Limited relationship with MFS Diversified Group

MFS Diversified Group is a separate and independent entity from MFS Limited, and is governed by a separate board of directors.

Following changes announced today, the board now comprises:

Richard Anderson (Independent Chairman)
Guy Farrands (Managing Director)
John Potter (Independent and non-executive)
Craig White (Non-executive)

The inter-relationship between MFS and MFT is limited to the items identified below. Other than these arrangements there are no other financial dealings or financial relationships (including joint borrowings or guarantees) between MFS and MFT.

For further information please contact:
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Website: mfsdiversified.com.au

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane QLD 4000
Telephone: 1300 787 650

We confirm the relationship between MFS and MFT comprises the following:

1. A subsidiary of MFS is the responsible entity of MFS Diversified Trust, as per the arrangements set out in the Prospectus and Product Disclosure Statement dated 8 May 2007.

Of the 151 member team managing the MFT businesses, only 19 are employees of MFS. All of those 19 MFS staff are dedicated solely to the management of the Group.

Given this resource structure we do not anticipate any interruption to the day to day management of the Group.

2. MFS Limited and related entities and managed funds, as at 16 November 2007, held a 16.9% interest in the stapled securities of MFT
3. The establishment of a land development fund (MFS Land Fund) to be jointly managed by MFS (as responsible entity) and MFT (as development manager), as announced by MFT on 7 November 2007.

MFS Land Fund

A MFS subsidiary is the responsible entity of MFS Land Fund. MFS Land Fund currently comprises interests in two Communities Development projects. The two projects are Kirkwood Road in Gladstone and another undisclosed project.

Should MFS Land Fund not proceed or be delayed MFT may become liable to fund 100% of these projects and assume 100% ownership, and may choose to undertake these developments on balance sheet, rather than in an externally managed fund (please see below for further details). MFT confirms that it has the financial capacity to meet these obligations – refer MFT's announcement dated 20 December 2007 for details on the Group's capital position.

We note our announcement regarding our intention to launch MFS Land Fund by 31 March 2008. We remain committed to the land syndication model. Preparations for the land fund are underway and we will be seeking advice from MFS if the recent announcements and events at MFS are likely to impact the program for the offering.

We note MFT's May 2007 FY08 earnings forecast did not include a contribution from this activity.

Details of MFS Land Fund's projects are as follows:

Undisclosed project

This property was purchased by MFT in December 2006. The purchase was subject to strict confidentiality provisions that limit disclosure and accordingly we cannot identify the project.

MFS Land Fund was nominated as the purchaser of the property by MFT. The remaining money to be paid under the five year vendors terms contract of sale is \$34m. The next payment is due in January 2009 and is \$3m, with no further payments required until 2010.

In the event that MFS Land Fund does not meet its obligations MFT is entitled to seek to cancel the nomination agreement, pay the outstanding monies and regain control of the property.

Kirkwood Road, Gladstone

MFT and a subsidiary of MFS (in its capacity as responsible entity of MFS Land Fund) jointly own the entity that has contracted to purchase a property at Kirkwood Road, Gladstone. The acquisition price is \$33 million, with settlement due on 15 February 2008.

In the event that MFS Land Fund is unable to complete its proportion of the purchase MFT has funds available and is willing to complete the purchase of 100% of the property.

MFT Business update

MFT's Communities Development Division is experiencing sales volumes well in excess of expectations in both its Victorian and Queensland projects. Sales for the six months ending 31 December 2007 were 749 lots, representing about 66% of the forecast sales volume for the 2008 financial year. We also advise that due to the strong demand experienced across a number projects, the Group has been able to achieve prices ahead of budget, resulting in some improved margins.

As with previous years the majority of Communities Development Division full year earnings will be recognised in the second half of the financial year. The traditional bias to the second half will be greater than first anticipated due to the wet weather in South East Queensland during December 2007 and January 2008, and resultant delays in pre-sold settlements.

We believe the outlook for the Communities Development Division remains strong and advise that overall the business is performing well.

MFT is scheduled to report its December half result to ASX on 28 February 2008.

Guy Farrands
Managing Director and CEO
0416 198 371

Date: 23 January 2008

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