

CHONGHERR INVESTMENTS LTD

ABN: 52 054 161 821

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2009

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

Directors' Report

Your directors submit their report together with the consolidated interim financial report for the half year ended 30 June 2009, and the review report thereon.

DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Dehui Liu (Chairman & Managing Director)
Sophia Xiaoqing Kong
Zhen Lu
Peijuan Zhuang (appointed on 08 July 2009)

ChongHerr's corporate governance statement is publicly available on the company website.

REVIEW AND RESULTS OF OPERATIONS

The ChongHerr Group sales revenue for the half year was \$1,264,393 (30 June 2008: \$1,328,998), a 5% decrease from the comparative six month period. The reduced sales value is based on decreased sales volumes due to the project delays under strict credit control imposed by the Chinese government, and the resultant risk control policy applied by the Group to minimize the risk of default payments from customers.

Consolidated net loss after income tax for the half year was \$343,805 (30 June 2008: profit \$32,086). The ChongHerr Group continues to experience inflationary pressure on operating costs and this, along with the lower sales result, has contributed to the loss in the current period. As identified in the December 2008 Annual Report, the ChongHerr Group is economically dependent on its major China based customer, Shenzhen Helidon Sandstone Ltd. This remains the case at 30 June 2009 and details of the current position within this customer are set out in Notes 5 and 17 of the consolidated interim financial report.

The ChongHerr group's ability to continue trading as a going concern is dependent upon the collection of the amounts owing to the Group by Shenzhen Helidon Sandstone Ltd within a timeframe that provides working capital for the Group. The Directors acknowledge the importance of this customer to the Group and that the customer has historically settled its obligations to the Group. The Directors have agreed repayment schedules with the debtor. Based on the Group's cash flow projections for the twelve months ending 30 June 2010, the agreed repayment arrangements would allow the Group to operate within its existing banking facility.

On the basis of the above, the Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

SANDSTONE QUARRYING AND PRODUCTION

During the half year, cost control and efficiency improvement has remained a top priority in the quarry management. Additional machinery and equipment have been purchased to increase the production volume and product variety to meet with local demand. The introduction of new sandstone products such as B-grade boulders, sawn boulders and tailor-made steppers has expanded not only the product mix of the quarry but also the customer base.

OVERSEAS SALES AND MARKETING

In the current world economic and financial circumstances, trading conditions are difficult for the Group's operation. Exports have softened in the first half of the year due to the project delays under credit restrictions imposed by the Chinese government. The current market strategy is to strengthen the brand name of ASI Sandstone to position the Group to offset the market pressure on selling prices and strong competition from sandstone exporters from other Helidon quarries. However, the Board anticipates that the market outlook for sandstone products remains strong in China, particularly the large residential and commercial projects in southern and northern regions.

FINANCIAL

As outlined above, ChongHerr remains economically dependent on its major customer in China. The directors closely monitor trading with this customer and collection of amounts receivable. A risk control policy has been applied to offset the risk associated with the slow collections from this customer. The Board and management are also continually monitoring the costs of the ChongHerr Group.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

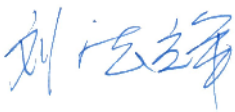
Directors' Report (continued)

The reviewed interim financial statements of the consolidated entity accompany this directors' report. At 30 June 2009 total assets were \$5,682,633 and net assets were \$4,419,273.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 4 and forms part of this directors' report for the half year ended 30 June 2009.

Signed in accordance with a resolution of the directors.



Dehui Liu
Managing Director

31 August 2009



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of ChongHerr Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2009 there have been:

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

KPMG



M L Gray
Partner

Brisbane
31 August 2009

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED	
		30 June 2009 \$	30 June 2008 \$
Revenue			
Sale of goods		1,264,393	1,328,998
Rental income		-	-
		<u>1,264,393</u>	<u>1,328,998</u>
Cost of sales		(1,138,259)	(900,288)
Gross profit		126,134	428,710
Other income	2(i)	204,655	275,536
Selling and distribution expenses		(419,836)	(388,863)
Corporate and administration expenses		(233,184)	(261,425)
Finance costs		(21,574)	(21,872)
(Loss)/profit before income tax		(343,805)	32,086
Income tax expense		-	-
(Loss)/profit after income tax		<u>(343,805)</u>	<u>32,086</u>
Net (loss)/profit for the period		<u>(343,805)</u>	<u>32,086</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>(343,805)</u>	<u>32,086</u>
			<i>Cents per share</i>
Earnings per share (cents per share)			
– basic earnings per share		(0.299)	0.028
– diluted earnings per share		(0.299)	0.028
– dividends paid per share	3	0.000	0.000

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 17.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2009

	<i>Issued Capital \$</i>	<i>CONSOLIDATED Accumulated Losses \$</i>	<i>Total equity \$</i>
At 1 January 2008	18,218,667	(12,174,025)	6,044,642
Comprehensive income for the period			
Profit for the period	-	32,086	32,086
At 30 June 2008	<u>18,218,667</u>	<u>(12,141,939)</u>	<u>6,076,728</u>
At 1 January 2009	18,218,667	(13,455,589)	4,763,078
Comprehensive income for the period			
Loss for the period	-	(343,805)	(343,805)
At 30 June 2009	<u>18,218,667</u>	<u>(13,799,394)</u>	<u>4,419,273</u>

At 30 June 2009 ChongHerr Investments Limited has 114,608,952 ordinary shares on issue (2008: 114,608,952).

The Condensed Consolidated Statement of Changes In Equity is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 17.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

<i>CONSOLIDATED</i>			
	<i>Notes</i>	<i>As at 30 June 2009 \$</i>	<i>As at 31 December 2008 \$</i>
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,049	398
Trade and other receivables	5	2,406,056	2,519,566
Inventories	6	257,863	419,812
Prepayments		17,979	25,187
Assets classified as held for sale	9	-	1,100,000
Total Current Assets		<u>2,682,947</u>	<u>4,064,963</u>
Non-current Assets			
Other financial assets	7	123,101	128,471
Property, plant and equipment	8	714,692	752,572
Quarry and reserves	9	2,161,893	1,062,987
Total Non-current Assets		<u>2,999,686</u>	<u>1,944,030</u>
TOTAL ASSETS		<u>5,682,633</u>	<u>6,008,993</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		524,187	465,209
Loans and borrowings	10	295,720	351,825
Provisions	11	25,851	19,394
Deferred Government grant	12	17,845	17,845
Total Current Liabilities		<u>863,603</u>	<u>854,273</u>
Non-current Liabilities			
Loans and borrowings	10	263,115	246,078
Provisions	11	136,642	136,642
Deferred Government grant	12	-	8,922
Total Non-current Liabilities		<u>399,757</u>	<u>391,642</u>
TOTAL LIABILITIES		<u>1,263,360</u>	<u>1,245,915</u>
NET ASSETS		<u>4,419,273</u>	<u>4,763,078</u>
EQUITY			
Issued capital		18,218,667	18,218,667
Accumulated losses		(13,799,394)	(13,455,589)
TOTAL EQUITY		<u>4,419,273</u>	<u>4,763,078</u>

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 17.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>	
	<i>30 June</i>	<i>30 June</i>
<i>Notes</i>	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>
Cashflows from operating activities		
Receipts from customers	1,522,120	1,240,767
Payments to suppliers and employees	(1,445,716)	(1,304,514)
Other income	37,849	11,547
Interest & other finance costs	(21,574)	(21,872)
Net cashflows from/(used in) operating activities	92,679	(74,072)
Cash flows from investing activities		
Payments for quarry, property, plant and equipment	(8,874)	(2,590)
Receipts from other financial assets	-	4,399
Net cashflows from/(used in) investing activities	(8,874)	1,809
Cashflows from financing activities		
Repayment of borrowings and lease liabilities	(65,650)	(59,275)
Net cashflows from/(used in) financing activities	(65,650)	(59,275)
Net increase/(decrease) in cash and cash equivalents	18,155	(131,538)
Cash and cash equivalents at beginning of period	(184,093)	(54,741)
Cash and cash equivalents at end of period	(165,938)	(186,279)

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated interim financial report set out on pages 9 to 17.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

1 BASIS OF PREPARATION

The condensed consolidated interim financial statements cover the consolidated entity of ChongHerr Investments Ltd and its controlled entity (the “ChongHerr Group”). ChongHerr Investments Ltd is a listed public company incorporated and domiciled in Australia.

The nature of the operations and principal activities of the ChongHerr Group are described in Note 13.

(a) Statement of compliance

The condensed consolidated interim financial statements are a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, AASB 134 “Interim Financial Reporting”, and other mandatory professional reporting requirements. The consolidated interim financial report of ChongHerr Group also complies with IFRS and interpretations adopted by The International Accounting Standards Board.

The condensed consolidated interim financial statements do not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The consolidated interim financial report should be read in conjunction with the annual financial report of ChongHerr Investments Ltd as at 31 December 2008.

It is also recommended that the condensed consolidated interim financial statements be considered together with any public announcements made by ChongHerr during the half year ended 30 June 2009 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial report was authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2009.

(b) Significant accounting policies

The accounting policies are the same as those adopted in the most recent annual financial report.

Going Concern

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2009, the Group’s statement of financial position shows total assets of \$5,682,633, total liabilities of \$1,263,360, and net assets of \$4,419,273. Current assets total \$2,682,947 and include cash assets of \$1,049 and receivables of \$2,406,056. Current liabilities total \$863,603.

As discussed in note 17, the Group is economically dependent upon one major customer, Shenzhen Helidon Sandstone Ltd which is a company domiciled in China. The balance of trade receivables as at 30 June 2009 includes \$2,104,064 relating to this customer, of which \$1,287,792 is past due normal trading terms and subject to various repayment plans.

The Group’s ability to continue trading as a going concern is dependent upon the collection of the amounts owing to the Group by Shenzhen Helidon Sandstone Ltd within a timeframe that provides working capital for the Group. As set out in the financial report for the year ended 31 December 2008, the Directors have agreed various repayment schedules with the debtor which would result in clearance of the entire balance due of \$2,104,064 by June 2010. As set out in Note 14 payments of \$153,470 have been received since balance date. Based on the Group’s cash flow projections for the next twelve months, the agreed repayment arrangements would allow the Group to operate within its existing bank overdraft facility.

On the basis of the above, the Directors have formed the view that it is appropriate to prepare the interim financial report on a going concern basis.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

1 BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT (continued)

Trade and other receivables

The discount rate used in the fair value assessment of trade receivables is 25.5% to reflect current market conditions.

(c) Accounting estimates and judgements

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2008.

In particular, as identified in the 2008 Annual Report, one of the Group's quarries has been written down to the estimated fair value on the basis of likely sales value. Also the ChongHerr Group is economically dependent on its major China based customer, Shenzhen Helidon Sandstone Ltd.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2009</i>	<i>2008</i>
	\$	\$
2 REVENUE AND EXPENSES		
Profit before income tax expense includes the following specific revenues and expenses:		
(i) Other income		
Finance income :		
Interest income on trade receivable at amortised cost	157,884	155,254
Other interest income	-	2,999
Reversal of impairment loss on trade receivables	-	99,812
Government grants	8,922	8,923
Gain on disposal of property, plant and equipment	-	-
Other income	37,849	8,548
	<u>204,655</u>	<u>275,536</u>
(ii) Specific expense items		
Depreciation	85,819	89,114
Quarry restoration provision charge/(write-back)	-	(7,616)
Amortisation of quarry and reserves	6,118	11,451
Employee benefits	359,889	259,428
Impairment loss on trade receivables	45,256	-
Rental expense on operating leases	100,186	88,569
Foreign currency losses/(gains)	-	2
Loss on disposal of property, plant and equipment	-	-
	<u>-</u>	<u>-</u>
3 DIVIDENDS PAID AND PROPOSED		
Equity dividends on ordinary shares:		
(a) Dividends paid during the half year	-	-
(b) Dividends proposed and not recognised as a liability	-	-
	<u>-</u>	<u>-</u>

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>	
	<i>As at</i>	<i>As at</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>
4 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	1,049	398
5 TRADE AND OTHER RECEIVABLES		
Trade debtors	2,463,978	2,532,232
Provision for impairment	(57,922)	(12,666)
	<u>2,406,056</u>	<u>2,519,566</u>
Other receivables	-	-
	<u>2,406,056</u>	<u>2,519,566</u>

As detailed in the 2008 Annual Report, the company's major customer is Shenzhen Helidon Sandstone Ltd, based in China. Trading with this customer is on extended terms, such that repayment plans are in place for trade debts relating to the 2008 financial year, and a separate repayment plan for trade debts relating to the current six month period. Revenue and the trade debtor are recognised at fair value, with the financing component of this debt brought to account as interest income on an accruals basis.

As at 30 June 2009, the total amount receivable from this debtor is \$2,104,064 (31 December 2008 \$2,191,006) of which \$1,287,792 is past due normal trading terms and subject to various repayment plans. The directors have agreed various repayment schedules with the debtor which would result in the clearance of the entire balance due of \$2,104,064 by June 2010.

As detailed in the 2008 Annual Report, ChongHerr Group recognises the concentration of credit risk and economic dependency with this debtor. The directors closely monitor trading with this customer and collection of amounts receivable. The directors are satisfied with this trading arrangement. See also Notes 14 and 17.

CHONGHERR INVESTMENTS LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>	
	<i>As at</i>	<i>As at</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>
6 INVENTORIES		
Finished goods and work in progress	257,863	419,812
7 OTHER FINANCIAL ASSETS (Non-Current)		
Security deposits	123,101	128,471
Security deposits include \$76,949 (31 December 2008: \$74,823) lodged as security for bank guarantees.		
8 PROPERTY, PLANT & EQUIPMENT		
Quarry land	141,042	141,042
Owned plant & equipment	1,486,621	1,482,771
Accumulated depreciation and impairment	(1,216,649)	(1,177,714)
	269,972	305,057
Leased plant & equipment	871,770	827,681
Accumulated amortisation	(568,092)	(521,208)
	303,678	306,473
	714,692	752,572

Acquisitions and disposals

During the six months ended 30 June 2009 the consolidated entity acquired assets with a cost of \$47,939, including \$44,089 by way of hire purchase finance.

There were no additions or disposals in the six month period to 30 June 2008.

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

	<i>CONSOLIDATED</i>	
	<i>As at 30 June 2009 \$</i>	<i>As at 31 December 2008 \$</i>
9 QUARRY AND RESERVES		
Capitalised expenditure on acquisition, evaluation and development		
- at Directors' Valuation 1996 (deemed cost)	4,672,028	4,672,028
- at cost	275,913	270,889
	<u>4,947,941</u>	<u>4,942,917</u>
Accumulated amortisation	(1,151,263)	(1,145,145)
Provision for impairment	(1,634,785)	(1,634,785)
	<u>2,161,893</u>	<u>2,162,987</u>
Quarry and reserves are disclosed in the statement of financial position as :		
Current – assets classified as held for sale (a)	-	1,100,000
Non-current – quarry and reserves	2,161,893	1,062,987
	<u>2,161,893</u>	<u>2,162,987</u>
(a) As set out in the 31 December 2008 financial statements, one of the Group's quarries was placed on the market for sale and was carried as a current asset at estimated realisable value. In the half year to 30 June 2009, the Group has not actively pursued a sale of the quarry and has reclassified the asset to non-current as at 30 June 2009.		
10 LOANS AND BORROWINGS		
Current		
Bank Overdraft	166,987	184,491
Obligation under finance leases, hire purchase contracts and chattel mortgages	128,733	167,334
	<u>295,720</u>	<u>351,825</u>
Non-current		
Unsecured loans from director related entities	146,733	147,915
Obligation under finance leases, hire purchase contracts and chattel mortgages	116,382	98,163
	<u>263,115</u>	<u>246,078</u>
During the period to 30 June 2009, a chattel mortgage was entered into for an amount of \$44,089 (30 June 2008: nil). An amount of \$65,650 was repaid during the period ended 30 June 2009 in respect of loans, finance leases and chattel mortgages (30 June 2008: \$61,886). The current obligation includes a residual payment of \$60,000. This amount will be refinanced (refer note 15).		
11 PROVISIONS		
Current		
Employee benefits	25,851	19,394
Non-current		
Employee benefits	5,000	5,000
Quarry restoration	131,642	131,642
	<u>136,642</u>	<u>136,642</u>
12 DEFERRED GOVERNMENT GRANT INCOME		
Current	17,845	17,845
Non-current	-	8,922

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

13 SEGMENT REPORTING

The ChongHerr Group operates solely within the sandstone quarrying industry in Queensland. A significant amount of sandstone product is exported to south-east Asia. The Group manages its business on a geographical basis which reflects the strategic, financial and operational needs – South-east Asia reflects the primary market for product, and Australia reflects the production and corporate activities, as well as some local product sales. The South-east Asia segment is closely integrated with the Australian segment, as it draws its product from Australia.

Group performance is monitored through segment performance, as this is most relevant to the Group structure. The following table presents financial information regarding geographical segments.

	<i>South-east Asia</i> \$	<i>Australia</i> \$	<i>Total</i> \$
30 June 2009 (six month period)			
External revenue	1,013,561	250,832	1,264,393
Interest income	157,884	-	157,884
Interest expense	-	(21,574)	(21,574)
Depreciation and Amortisation	1,330	89,907	91,237
Reportable segment loss before income tax	(264,097)	136,103	(127,994)
Unallocated corporate expenses			(215,811)
Consolidated loss before income tax			(343,805)
30 June 2008 (six month period)			
External revenue	1,230,563	98,435	1,328,998
Interest income	155,254	2,999	158,253
Interest expense	-	(21,872)	(21,872)
Depreciation and Amortisation	2,115	98,450	100,565
Reportable segment profit before income tax	239,838	56,104	295,942
Unallocated corporate expenses			(263,856)
Consolidated profit before income tax			32,086

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

13. SEGMENT REPORTING (continued)

	<i>South-east Asia</i> \$	<i>Australia</i> \$	<i>Total</i> \$
30 June 2009			
Segment assets	2,327,395	3,355,238	5,682,633
Unallocated assets			-
Total assets			<u>5,682,633</u>
Assets held for sale	-	-	-
Segment liabilities	-	1,263,360	1,263,360
Unallocated liabilities			-
Total liabilities			<u>1,263,360</u>
Other material non-cash items (six month period):			
Impairment loss/(reversal)	45,256	-	45,256
Capital expenditure	-	52,963	52,963
31 December 2008			
Segment assets	2,480,040	3,528,953	6,008,993
Unallocated assets			-
Total assets			<u>6,008,993</u>
Assets held for sale	-	1,100,000	1,100,000
Segment liabilities	-	1,245,915	1,245,915
Unallocated liabilities			-
Total liabilities			<u>1,245,915</u>
Other material non-cash items (30 June 2008):			
Impairment loss/(reversal)	(99,812)	-	(99,812)
Capital expenditure	-	2,590	2,590

The revenue reported above represents revenue generated from external customers on the basis of geographical location of customer. Refer to Note 17 details of economic dependency on a South-east Asia based customer. There were no inter-segment sales during the reporting periods.

Segment result represents the profit/(loss) earned by each segment without allocation of corporate/administration cost and finance costs. All assets and liabilities are allocated to reportable segments on the basis of geographical location.

The ChongHerr Group has adopted AASB 8 (Operating Segments) and AASB 2008-3 (Amendments to Australian Accounting Standards arising from AASB 8) with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of the internal information by which Board and Management manage the Group. The adoption of AASB 8 has not resulted in any change to segment information for the ChongHerr Group.

CHONGHERR INVESTMENT LTD – INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2009

14 EVENTS AFTER THE BALANCE DATE

Since balance date the Group has continued to pursue the matters detailed in Note 1(b) regarding going concern and the collection of amounts owing to the Group. In particular, the directors have agreed a further repayment schedule with the debtor which would result in the clearance of the entire balance due of \$2,104,064 by June 2010. Payments of \$153,470 have been received since balance date.

Since balance date the Group has also refinanced \$60,000 relating to the pay out of the residual value of a hire purchase agreement. The residual is due be paid out in out in September and is currently classified as a current liability (refer Note 10).

There are no other matters or circumstances that have arisen since the end of the financial period that significantly affected or may significantly affect the operations of the ChongHerr Group, the results of those operations, or the state of affairs of the ChongHerr Group in subsequent financial periods.

15 CAPITAL COMMITMENTS

At 30 June 2009, the ChongHerr Group had no commitment to purchase capital equipment.

16 RELATED PARTY DISCLOSURES

The total amount of transactions entered into with key management personnel for the six months ended 30 June 2009 and 2008 are:

	<i>30 June 2009</i>	<i>30 June 2008</i>
	\$	\$
Qing Hua Investments Pty Ltd (related to Messrs D Liu & Z Lu)		
- loan balance	146,733	138,654
- interest accrued	4,609	4,635
- loan repayments	792	424
	<hr/>	<hr/>

The loan is unsecured and not repayable before 30 June 2010.

17 ECONOMIC DEPENDENCY

The ChongHerr group is economically dependent on Shenzhen Helidon Sandstone Ltd which is a company domiciled in China. Shenzhen Helidon Sandstone outstanding debtor balance as at 30 June 2009 is \$2,104,064 (2008: \$2,260,528) of which \$1,287,792 is past due. This receivable amount is 87% (2008:96%) of total trade receivables. Sales to this customer in the 6 months to 30 June 2009 were \$1,013,561(2008: \$1,286,022), being 80% (2008: 97%) of total Group sales. Further details of these amounts and arrangements with this debtor are set out in Note 5.

CHONGHERR INVESTMENTS LTD– INTERIM FINANCIAL REPORT


Directors' Declaration

In the opinion of the directors of ChongHerr Investments Ltd (“the Company”):

- a) the financial statements and notes set out on pages 5 to 17 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group’s financial position as at 30 June 2009 and of its performance for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 “Interim Financial Reporting” and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors

Dated this 31st day of August 2009.



Dehui Liu
Managing Director



Independent auditor's review report to the members of ChongHerr Investments Limited

We have reviewed the accompanying interim financial report of ChongHerr Investments Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration set out on pages 5 to 18 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of ChongHerr Investments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of ChongHerr Investments Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(b) in the interim financial report which indicates that the balance of trade receivables as at 30 June 2009 of \$2,406,056 includes \$2,104,064 owing by the Group's main customer, of which \$1,287,792 is outside normal credit terms. Furthermore, we draw attention to note 17 in the interim financial report which indicates economic dependence of the Group on this customer.

Note 1(b) describes the actions that management has taken in relation to obtaining payment of this receivable and the basis upon which they consider it recoverable. This includes a series of repayment arrangement agreed with the debtor to make cash repayments totalling \$2,316,315 over the period July 2009 to until June 2010.

The dependence of the Group on the future cash flows associated with the collection of this receivable in accordance with the repayment arrangement, in order to fund ongoing operating activities, along with other matters as set forth in Note 1(b), indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



KPMG



M L Gray
Partner

Brisbane
31 August 2009